

# KAMIESBERG

## MUNICIPALITY



## FINANCIAL STATEMENTS

### 30 JUNE 2016

# KAMIESBERG MUNICIPALITY

## Index

<b>Contents</b>	<b>Page</b>
General Information	1 - 2
Approval of the Financial Statements	3
Report of the Auditor General	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes In Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Position	9
Statement of Comparison of Budget and Actual Amounts - Statement of Financial Performance	10
Statement of Comparison of Budget and Actual Amounts - Cash Flow Statement	11
Accounting Policies	12 - 48
Notes to the Financial Statements	48 - 89

### APPENDICES

A	Schedule of External Loans	90
B	Segmental Statement of Financial Performance - GFS Classifications	91
C	Segmental Statement of Financial Performance - Municipal Votes	92
D	Disclosure of Grants and Subsidies In Terms of Section 123 of MFMA, 56 of 2003	93

# **KAMIESBERG MUNICIPALITY**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

### **GENERAL INFORMATION**

#### **NATURE OF BUSINESS**

Kamiesberg Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### **COUNTRY OF ORIGIN AND LEGAL FORM**

South African Category B Municipality (Local Municipality) Grade 2 as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### **JURISDICTION**

The Kamiesberg Municipality includes the following areas of Garies, Hondeklipbaai, Kamassies, Kheis, Kharkams, Kamieskroon, Klipfontein, Leliefontein, Lepelsfontein, Nourivier, Paulshoek, Rooifontein, Soebatsfontein, Spoegrivier and Tweerivier.

#### **MUNICIPAL MANAGER**

JG Cloete

#### **CHIEF FINANCIAL OFFICER**

R Beukes

#### **REGISTERED OFFICE**

Private Bag X200  
Garies  
8220

#### **AUDITORS**

Auditor-General  
Private Bag X5013  
KIMBERLEY  
8300

#### **PRINCIPLE BANKERS**

First National Bank

#### **ATTORNEYS**

Schreuders

## RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Systems Amendment Act (Act no 7 of 2011)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1966)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations  
Municipal Budget and Reporting Regulations

## MEMBERS OF THE MUNICIPALITY

### WARD

1  
1  
2  
3  
3  
4  
Proportional  
Proportional  
Proportional  
Proportional  
Proportional

### COUNCILLOR

EA Stewens (resigned 10/08/2016)  
LE Petersen (appointed 18/08/2016)  
MC Rooi (appointed 18/08/2016)  
HG Links (resigned 10/08/2016)  
SC Nero  
MJ Cloete  
MR Klaase (resigned 10/08/2016)  
MS Cardinal (resigned 10/08/2016)  
PJ Willems  
CC Kordom (appointed 18/08/2016)  
RO Adams (appointed 18/08/2016)

# KAMIESBERG MUNICIPALITY

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2016, which are set out on pages 1 to 89 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2016 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
JG Cloete  
Municipal Manager

31/08/2016  
Date

# KAMIESBERG MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016

	Notes	2016 R	2015 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>50 800 600</b>	<b>55 475 603</b>
Accumulated Surplus/(Deficit)		50 800 600	55 475 603
<b>Non-Current Liabilities</b>		<b>21 481 411</b>	<b>18 469 596</b>
Long-term Liabilities	2	565 265	501 171
Non-current Provisions	3	17 743 591	15 328 150
Non-current Employee Benefits	4	3 172 555	2 640 275
<b>Current Liabilities</b>		<b>50 619 712</b>	<b>45 643 153</b>
Consumer Deposits	5	1 363 884	1 369 119
Current Employee Benefits	6	1 869 097	1 794 542
Payables from exchange transactions	7	43 061 801	32 115 335
Unspent Conditional Government Grants and Receipts	8	4 141 952	9 854 167
Taxes	9,1	-	367 249
Current Portion of Long-term Liabilities	2	182 978	142 742
<b>Total Net Assets and Liabilities</b>		<b>122 901 723</b>	<b>119 588 352</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>112 792 437</b>	<b>111 819 186</b>
Property, Plant and Equipment	11	110 224 017	109 240 368
Investment Property	12	2 471 010	2 471 010
Intangible Assets	13	97 410	107 807
<b>Current Assets</b>		<b>10 109 286</b>	<b>7 769 167</b>
Inventory	14	83 100	81 995
Receivables from exchange transactions	15	4 924 251	4 875 760
Receivables from non-exchange transactions	16	3 101 723	1 946 631
Operating Lease Asset	17	-	6
Taxes	9,2	1 203 580	-
Cash and Cash Equivalents	18,1	796 632	864 775
<b>Total Assets</b>		<b>122 901 723</b>	<b>119 588 352</b>

# KAMIESBERG MUNICIPALITY

## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 R	2015 R
<b>REVENUE</b>			
Revenue from Non-exchange Transactions		34 577 659	31 826 885
Taxation Revenue		5 747 423	6 293 251
Property Rates	19	5 747 423	6 293 251
Transfer Revenue		28 824 010	25 496 159
Government Grants and Subsidies	20	28 729 637	25 380 294
Public Contributions and Donations	21	94 372	115 865
Other Revenue		6 226	37 475
Fines		6 226	3 498
Actuarial Gains	4	-	33 977
Revenue from Exchange Transactions		14 318 037	14 130 549
Service Charges	22	8 997 404	9 840 000
Rental of Facilities and Equipment	23	280 652	280 624
Interest Earned - external investments	24	141 101	140 637
Interest Earned - outstanding receivables	25	3 303 821	2 545 667
Licences and Permits		130 022	122 434
Income for Agency Services		375 758	392 899
Other Income	26	1 089 281	808 289
<b>Total Revenue</b>		<b>48 895 696</b>	<b>45 957 434</b>
<b>EXPENDITURE</b>			
Employee related costs	27	(17 323 277)	(16 043 977)
Remuneration of Councillors	28	(2 293 373)	(2 292 447)
Debt Impairment	29	(4 164 359)	(9 233 822)
Depreciation and Amortisation	30	(8 817 622)	(9 647 947)
Repairs and Maintenance		(516 903)	(588 860)
Actuarial Losses	4	(64 369)	(13 538)
Finance Costs	31	(3 579 427)	(1 692 479)
Bulk Purchases	32	(9 427 640)	(10 764 035)
Contracted Services		(192 633)	(647 127)
Other Operating Grant Expenditure	33	(1 800 251)	(1 623 400)
General Expenses	34	(5 308 692)	(3 692 316)
<b>Total Expenditure</b>		<b>(53 488 547)</b>	<b>(56 239 948)</b>
<b>Operating Surplus for the Year</b>		<b>(4 592 850)</b>	<b>(10 282 514)</b>
Gains/(Loss) on Sale of Assets	35	(383 502)	(73 811)
(Impairment loss)/Reversal of impairment loss	36	301 350	-
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>(4 675 002)</b>	<b>(10 356 325)</b>

# KAMIESBERG MUNICIPALITY

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2016

	Accumulated Surplus/ (Deficit) R	Total R
Balance at 1 July 2014	77 810 598	77 810 598
Correction of Errors - Note 37.6	(11 978 670)	(11 978 670)
Restated balance	65 831 928	65 831 928
Net Surplus/(Deficit) for the year	(10 356 325)	(10 356 325)
Net Surplus/(Deficit) previously reported	(6 193 943)	(6 193 943)
Effects of Correction of Errors - Note 37.7	(4 162 381)	(4 162 381)
Restated balance at 30 June 2015	55 475 603	55 475 603
Net Surplus/(Deficit) for the year	(4 675 002)	(4 675 002)
Balance at 30 June 2016	50 800 600	50 800 600



# KAMIESBERG MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 R	2015 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts			
Taxation		2 007 579	2 429 618
Service Charges		10 662 461	6 261 544
Government - Operating		15 057 422	17 963 386
Government - Capital		7 960 000	9 129 000
Interest		141 101	140 637
Other receipts		1 986 981	1 635 836
Cash payments			
Employee costs		(19 312 825)	(17 973 943)
Suppliers		(7 953 940)	(10 569 738)
Finance costs		(2 336 431)	(679 005)
<b>Net Cash from Operating Activities</b>	<b>38</b>	<b>8 212 348</b>	<b>8 337 336</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		(9 863 184)	(9 092 246)
Proceeds on Disposal of Assets		1 483 597	51 840
<b>Net Cash from Investing Activities</b>		<b>(8 379 586)</b>	<b>(9 040 406)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Borrowing - Long term/Refinancing		541 013	273 960
Increase/(Decrease) in Consumer Deposits		(5 235)	1 339 346
Repayment of Borrowing		(436 684)	(240 664)
<b>Net Cash from Financing Activities</b>		<b>99 094</b>	<b>1 372 641</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(68 145)</b>	<b>669 571</b>
Cash and Cash Equivalents at the beginning of the year		864 775	195 204
Cash and Cash Equivalents at the end of the year	<b>39</b>	<b>796 632</b>	<b>864 775</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(68 143)</b>	<b>669 571</b>

**KAMIESBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016**

Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	(i.t.o. s28 and s31 of the MFMA) R	R	(i.t.o. s31 of the MFMA) R	(i.t.o. Council approved by-law) R	R	2016 R	%
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash	1 592 000	-	1 592 000	-	-	1 592 000	276 895	-82,61%
Call Investment Deposits	602 526	-	602 526	-	-	602 526	519 737	100,00%
Consumer Debtors	37 996 000	-	37 996 000	-	-	37 996 000	7 915 502	100,00%
Other Debtors	2 863 000	-	2 863 000	-	-	2 863 000	1 314 052	-54,10%
Current Portion of long-term receivables	-	-	-	-	-	-	-	-
Inventory	56 749	-	56 749	-	-	56 749	83 100	48,43%
<b>Total Current Assets</b>	<b>43 110 275</b>	<b>-</b>	<b>43 110 275</b>	<b>-</b>	<b>-</b>	<b>43 110 275</b>	<b>10 109 288</b>	<b>-76,55%</b>
<b>Non-Current Assets</b>								
Long-term receivables	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	-	-	-	-
Investment in Associates	502 000	-	502 000	-	-	502 000	2 471 010	392,23%
Property, Plant and Equipment	-	-	-	-	-	-	-	-
Agricultural Assets	103 788 000	-	103 788 000	-	-	103 788 000	110 224 017	9,20%
Biological Assets	-	-	-	-	-	-	-	-
Intangible Assets	-	-	-	-	-	-	-	-
Other Non-Current Assets	-	-	-	-	-	-	97 410	100,00%
<b>Total Non-Current Assets</b>	<b>104 290 000</b>	<b>-</b>	<b>104 290 000</b>	<b>-</b>	<b>-</b>	<b>104 290 000</b>	<b>112 792 437</b>	<b>8,15%</b>
<b>TOTAL ASSETS</b>	<b>147 400 275</b>	<b>-</b>	<b>147 400 275</b>	<b>-</b>	<b>-</b>	<b>147 400 275</b>	<b>122 901 723</b>	<b>-15,62%</b>
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Bank Overdraft	-	-	-	-	-	-	-	-
Borrowing	163 398	-	163 398	-	-	163 398	182 978	-100,00%
Consumer Deposits	-	-	-	-	-	-	1 363 884	100,00%
Trade and Other Payables	38 181 486	-	38 181 486	-	-	38 181 486	47 203 753	23,63%
Provisions	-	-	-	-	-	-	1 869 087	100,00%
<b>Total Current Liabilities</b>	<b>38 344 884</b>	<b>-</b>	<b>38 344 884</b>	<b>-</b>	<b>-</b>	<b>38 344 884</b>	<b>50 619 712</b>	<b>32,01%</b>
<b>Non-Current Liabilities</b>								
Borrowing	290 285	-	290 285	-	-	290 285	565 265	94,73%
Provisions	10 996 993	-	10 996 993	-	-	10 996 993	20 916 146	90,20%
<b>Total Non-Current Liabilities</b>	<b>11 287 278</b>	<b>-</b>	<b>11 287 278</b>	<b>-</b>	<b>-</b>	<b>11 287 278</b>	<b>21 481 411</b>	<b>90,32%</b>
<b>TOTAL LIABILITIES</b>	<b>49 632 162</b>	<b>-</b>	<b>49 632 162</b>	<b>-</b>	<b>-</b>	<b>49 632 162</b>	<b>72 101 123</b>	<b>45,27%</b>
<b>NET ASSETS</b>								
Accumulated Surplus/(Deficit)	97 768 113	-	97 768 113	-	-	97 768 113	50 800 600	-48,04%
Reserves	-	-	-	-	-	-	-	-
Minorities' Interests	-	-	-	-	-	-	-	-
<b>TOTAL NET ASSETS</b>	<b>97 768 113</b>	<b>-</b>	<b>97 768 113</b>	<b>-</b>	<b>-</b>	<b>97 768 113</b>	<b>50 800 600</b>	<b>-48,04%</b>

**KAMESBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjusted Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome 2016 R	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	R	%
<b>REVENUE</b>								
Property Rates	7 833 097	1 188 725	9 021 822	-	-	9 021 822	5 747 423	-36,29%
Property Rates - Penalties & Collection Charges	-	-	-	-	-	-	-	-
Service Charges - Electricity Revenue	5 751 905	789 561	6 541 466	-	-	6 541 466	4 305 948	-34,17%
Service Charges - Water Revenue	3 842 985	583 361	4 426 346	-	-	4 426 346	2 329 377	-47,37%
Service Charges - Sanitation Revenue	1 393 519	134 708	1 528 227	-	-	1 528 227	1 407 012	-8,29%
Service Charges - Refuse Revenue	1 789 720	288 286	2 078 006	-	-	2 078 006	955 066	-54,04%
Service Charges - Other Revenue	-	-	-	-	-	-	-	-
Rental of Facilities and Equipment	273 580	-	273 580	-	-	273 580	280 652	2,58%
Interest Earned - External Investments	-	-	-	-	-	-	141 101	100,00%
Interest Earned - Outstanding Debtors	1 305 412	-	1 305 412	-	-	1 305 412	3 303 821	153,09%
Dividends Received	-	-	-	-	-	-	-	-
Fines	1 988	-	1 988	-	-	1 988	6 226	213,18%
Licences and Permits	636	-	636	-	-	636	130 022	20343,63%
Agency Services	-	-	-	-	-	-	375 753	100,00%
Transfers Recognised - Operational	21 333 000	(8 990 054)	12 342 946	-	-	12 342 946	19 581 014	58,48%
Other Revenue	1 395 847	759 852	2 155 699	-	-	2 155 699	1 089 281	-49,73%
Gains on Disposal of PPE	-	-	-	-	-	-	(383 502)	-
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>44 928 589</b>	<b>(5 235 561)</b>	<b>39 693 028</b>	<b>-</b>	<b>-</b>	<b>39 693 028</b>	<b>39 249 199</b>	<b>-1,12%</b>
<b>EXPENDITURE</b>								
Employee Related Costs	15 813 568	-	15 813 568	-	-	15 813 568	17 387 646	9,95%
Remuneration of Councilors	2 714 582	-	2 714 582	-	-	2 714 582	2 293 373	-15,52%
Debt Impairment	2 001 311	-	2 001 311	-	-	2 001 311	4 164 359	108,08%
Depreciation and Asset Impairment	2 865 292	-	2 865 292	-	-	2 865 292	8 516 272	197,22%
Finance Charges	76 588	-	76 588	-	-	76 588	3 579 427	4672,45%
Bulk Purchases	11 397 857	(700 250)	10 697 607	-	-	10 697 607	9 427 640	-11,87%
Other Materials	3 475 000	-	3 475 000	-	-	3 475 000	192 633	100,00%
Contracted Services	100 486	(100 000)	486	-	-	486	-	-
Transfers and Grants	2 311 000	-	2 311 000	-	-	2 311 000	-	-
Other Expenditure	13 355 942	(1 052 815)	12 303 027	-	-	12 303 027	7 625 846	-38,02%
Loss on Disposal of PPE	-	-	-	-	-	-	-	100,00%
<b>Total Expenditure</b>	<b>54 105 484</b>	<b>(1 853 055)</b>	<b>52 252 419</b>	<b>-</b>	<b>-</b>	<b>52 252 419</b>	<b>53 187 197</b>	<b>1,79%</b>
<b>Surplus/(Deficit)</b>	<b>(9 176 795)</b>	<b>(3 362 496)</b>	<b>(12 539 291)</b>	<b>-</b>	<b>-</b>	<b>(12 539 291)</b>	<b>(13 937 998)</b>	<b>10,98%</b>
Transfers Recognised - Capital	7 960 000	1 056 000	9 016 000	-	-	9 016 000	9 188 623	1,69%
Contributions Recognised - Capital	-	-	-	-	-	-	94 372	-
Contributed Assets	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after Capital Transfers &amp; Contributions</b>	<b>(1 216 795)</b>	<b>(2 326 496)</b>	<b>(3 543 291)</b>	<b>-</b>	<b>-</b>	<b>(3 543 291)</b>	<b>(4 675 002)</b>	<b>31,94%</b>
Taxation	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after Taxation</b>	<b>(1 216 795)</b>	<b>(2 326 496)</b>	<b>(3 543 291)</b>	<b>-</b>	<b>-</b>	<b>(3 543 291)</b>	<b>(4 675 002)</b>	<b>31,94%</b>
Attributable to Minorities	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) Attributable to Municipality</b>	<b>(1 216 795)</b>	<b>(2 326 496)</b>	<b>(3 543 291)</b>	<b>-</b>	<b>-</b>	<b>(3 543 291)</b>	<b>(4 675 002)</b>	<b>31,94%</b>
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>(1 216 795)</b>	<b>(2 326 496)</b>	<b>(3 543 291)</b>	<b>-</b>	<b>-</b>	<b>(3 543 291)</b>	<b>(4 675 002)</b>	<b>31,94%</b>

**KAMIESBERG MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**

Notes	Original Budget	Budget Adjustments	Final Adjustment Budget	Shifting of Funds	Virement	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	(i.t.o. s28 and s31 of the MFMA) R	R	(i.t.o. s31 of the MFMA) R	(i.t.o. Council approved by-law) R	R	2016 R	%
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
<b>Receipts</b>								
Ratepayers and other	22 292 000	-	22 292 000	-	-	22 292 000	14 657 022	-34,25%
Government - Operating	21 333 000	-	21 333 000	-	-	21 333 000	15 057 422	-29,42%
Government - Capital	7 960 000	-	7 960 000	-	-	7 960 000	7 960 000	0,00%
Interest	1 305 000	-	1 305 000	-	-	1 305 000	1 411 101	-89,19%
Dividends	-	-	-	-	-	-	-	-
<b>Payments</b>								
Suppliers and Employees	(39 031 000)	-	(39 031 000)	-	-	(39 031 000)	(27 268 765)	-30,14%
Finance Charges	(71 000)	-	(71 000)	-	-	(71 000)	(2 336 431)	3190,75%
Transfers and Grants	(9 173 000)	-	(9 173 000)	-	-	(9 173 000)	-	-
<b>Net Cash from/(used) Operating Activities</b>	<b>4 615 000</b>	<b>-</b>	<b>4 615 000</b>	<b>-</b>	<b>-</b>	<b>4 615 000</b>	<b>8 212 348</b>	<b>77,95%</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>								
<b>Receipts</b>								
Proceeds on disposal of PPE	-	-	-	-	-	-	1 483 597	-100,00%
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	-	-
Decrease/(Increase) in Other Non-Current Receivables	-	-	-	-	-	-	-	-
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	-
<b>Payments</b>								
Capital Assets	(18 486 000)	-	(18 486 000)	-	-	(18 486 000)	(9 863 184)	-46,65%
<b>Net Cash from/(used) Investing Activities</b>	<b>(18 486 000)</b>	<b>-</b>	<b>(18 486 000)</b>	<b>-</b>	<b>-</b>	<b>(18 486 000)</b>	<b>(9 379 586)</b>	<b>-54,67%</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>								
<b>Receipts</b>								
Short Term Loans	-	-	-	-	-	-	541 013	1539,43%
Borrowing long term/refinancing	33 000	-	33 000	-	-	33 000	(5 235)	-
Increase/(Decrease) in Consumer Deposits	-	-	-	-	-	-	-	-
<b>Payments</b>								
Repayment of Borrowing	-	-	-	-	-	-	(436 684)	100,00%
<b>Net Cash from/(used) Financing Activities</b>	<b>33 000</b>	<b>-</b>	<b>33 000</b>	<b>-</b>	<b>-</b>	<b>33 000</b>	<b>99 094</b>	<b>200,28%</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(13 838 000)</b>	<b>-</b>	<b>(13 838 000)</b>	<b>-</b>	<b>-</b>	<b>(13 838 000)</b>	<b>(58 145)</b>	<b>-99,51%</b>
Cash and Cash Equivalents at the year begin:	2 951 000	-	2 951 000	-	-	2 951 000	864 775	-70,70%
Cash and Cash Equivalents at the year end:	(10 887 000)	-	(10 887 000)	-	-	(10 887 000)	796 631	-107,32%

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

---

**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

**1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**1.5. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

**1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

**1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

**1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2015/16 financial year.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original – Jun 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	Unknown
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 108 (Original – Sept 2013)	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	Unknown
GRAP 109	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	Unknown

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

IGRAP 17	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	Unknown
----------	--	---------

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## **1.9. RESERVES**

### **1.9.1. Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

## **1.10. LEASES**

### **1.10.1. Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.



**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**1.10.2. Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

**1.11. BORROWING COST**

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

**1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

**1.14. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.15. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

#### **1.16. EMPLOYEE BENEFITS**

##### **(a) *Post-Retirement Medical Obligations***

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(b) Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(c) Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**(d) Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

**(e) Other Short-term Employee Benefits**

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

**1.17. PROPERTY, PLANT AND EQUIPMENT**

**1.17.1. Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost).

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.17.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**1.17.3. Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

	<b>Years</b>		<b>Years</b>
<b><u>Infrastructure</u></b>		<b><u>Other</u></b>	
Roads, pavements and bridges	10-30	Buildings	20-30
Storm Water	20-60	Specialist vehicles	10
Electricity	20-30	Other vehicles	5
Water	15-20	Office equipment	3-7
Sanitation	15-20	Furniture and fittings	5-10
Waste Management	20-30	Watercraft	15
		Bins and containers	5
		Specialised plant and Equipment	10-15

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

<b><u>Community</u></b>		<b>Other plant and</b>	
Sports fields and Stadia	30	Equipment	2-5
Housing	20-30	Emergency equipment	20
Security Halls	5 20-30	Computer equipment	25
Libraries	20-30	<b><u>Finance</u></b>	
Parks and gardens	20-30	<b><u>lease assets</u></b>	
Other assets	15-20	Office equipment	3-5
		Other assets	3-5

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

**1.17.4. De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.17.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**1.18. INTANGIBLE ASSETS**

**1.18.1. Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

**1.18.2. Subsequent Measurement – Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.



**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**1.18.3. Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	5
Computer Software Licenses	5

**1.18.4. De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.18.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

**1.19. INVESTMENT PROPERTY**

**1.19.1. Initial Recognition**

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

**1.19.2. Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

**1.19.3. Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

**1.19.4. De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.19.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

**1.20. CONSTRUCTION CONTRACTS**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**1.21. AGRICULTURE**

**1.21.1. Initial Recognition**

A biological asset or agricultural produce is recognised when and only when:

- the Municipality controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality;
- and the fair value or cost of the asset can be measured reliably.

Biological assets are initially measured at their fair value less cost to sell.

**1.21.2. Subsequent Measurement**

Biological assets are measured at their fair value less cost to sell.

The fair value of game is determined based on market prices of livestock of similar age, breed, and genetic merit in the local industry. Game is considered to be bearer biological assets.

A gain or loss arising on initial recognition of biological assets at fair value less cost to sell is included in profit or loss for the period in which it arises.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**1.22. HERITAGE ASSETS**

**1.22.1. Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

**1.22.2. Subsequent Measurement – Cost Model**

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

**1.22.3. Depreciation and Impairment**

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

**1.22.4. De-recognition**

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

**1.22.5. Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2011.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**1.23. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**1.23.1. Cash generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.23.2. Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

**(a) External sources of information**

- Cessation, or near cessation, of the demand or need for services provided by the asset;

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### **1.24. NON CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.



**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**1.25. INVENTORIES**

**1.25.1. Initial Recognition**

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.25.2. Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in-first-out method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

**1.26. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

**1.26.1. Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

**1.26.2. Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.26.2.1. Receivables**

Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

**1.26.2.2. Payables and Annuity Loans**

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.26.2.3. Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**1.26.3. Derecognition**

**1.26.3.1. Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**1.26.3.2. Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

**1.26.4. Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**1.27. STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

**1.27.1. Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**1.27.2. Subsequent Measurement**

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

**1.27.3. Derecognition**

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - i. derecognise the receivable; and

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

- ii. recognise separately any rights and obligations created or retained in the transfer.

**1.28. REVENUE**

**1.28.1. Revenue from Non-Exchange Transactions**

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

**1.28.2. Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.



**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**1.29. TRANSFER OF FUNCTIONS (Municipality as acquirer)**

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

**1.30. RELATED PARTIES**

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person's family is related to the Municipality if that person:
- has control or joint control over the Municipality.
  - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
  - is a member of the management of the Municipality or its controlling entity.
- (b) An entity is related to the Municipality if any of the following conditions apply:
- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
  - both entities are joint ventures of the same third party.
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
  - the entity is controlled or jointly controlled by a person identified in (a).
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

### **1.31. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.32. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.33. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.34. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

**1.35. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

***Post-retirement medical obligations and Long service awards.***

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 4 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

***Provisions and Contingent Liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

***Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

***Provision for Performance bonuses***

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

***Pre-paid electricity estimation***

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days' worth of unused electricity.

***Componentisation of Infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component,



**KAMIESBERG MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016**

depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

***Revenue Recognition***

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.36. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.37. CAPITAL COMMITMENTS**

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

**1.38. EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>2. LONG TERM LIABILITIES</b>		
Capitalised Lease Liability - At amortised cost	748 243	486 978
Correction of Error - Note 37.1	-	156 935
	<b>748 243</b>	<b>643 913</b>
<u>Less:</u> Current Portion transferred to Current Liabilities	(182 978)	(142 742)
Capitalised Lease Liability - At amortised cost	<b>(182 978)</b>	<b>(142 742)</b>
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>565 265</b>	<b>501 171</b>

## 2.1 The obligations under finance leases are scheduled below:

	Minimum payments	
Amounts payable under finance leases:		
Payable within one year	284 232	204 360
Payable within two to five years	720 795	407 995
Payable after five years	-	-
	<b>1 005 027</b>	<b>612 355</b>
<u>Less:</u> Future finance obligations	(256 784)	(125 377)
<b>Present value of finance lease obligations</b>	<b>748 243</b>	<b>486 978</b>

The capitalised lease liability consist out of the following contracts:

Supplier	Description of leased item	Effective Interest rate	Annual Escalation	Lease Term	Maturity Date
Nashua Mobile	Laptops & Modems	0%	0%	2 Years	30/06/2017
Nashua	Fax machines and Copiers	17%	0%	5 Years	31/03/2021

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Hire Purchases and Leases are secured by property, plant and equipment - Note 11

## 3. NON-CURRENT PROVISIONS

Provision for Rehabilitation of Landfill-sites	17 743 591	15 328 150
<b>Total Non-current Provisions</b>	<b>17 743 591</b>	<b>15 328 150</b>

3.1 Landfill Sites

Balance 1 July	15 328 150	8 056 816
Contribution for the year	1 004 354	867 631
Change in Provision for Rehabilitation Cost	1 411 087	6 403 702
<b>Total provision 30 June</b>	<b>17 743 591</b>	<b>15 328 150</b>
<u>Less:</u> Transfer of Current Portion to Current Provisions	-	-
<b>Balance 30 June</b>	<b>17 743 591</b>	<b>15 328 150</b>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Hondeklip Bay	Klipfontein	Soebatsfontein	Garies
Area (m²)	6 175	2 392	2 952	12 878
Rehabilitation volume (m³)	1 890	550	960	8 500
Fence (m)	420	-	350	-
Cost of fence (Rand)	258 300	-	215 250	-
Site Clearance (R70/m²)	132 300	38 500	67 200	595 000
Excavation cost (R120/m³)	313 500	195 000	260 400	3 090 000
Filling (R60/m³)	370 500	143 520	177 120	772 680
Environmental Impact assessment (Rand)	220 000	-	-	220 000
Application for permits (Rand)	37 000	-	-	37 000
Preliminary and general (Rand)	161 190	56 553	107 995	668 652
Fees and expenses (Rand)	123 579	43 357	82 797	512 633

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	Tweerivier	Kharkams	Spoeigrivier	Nourivier
Area (m <sup>2</sup> )	4 268	3 662	2 490	4 650
Rehabilitation volume (m <sup>3</sup> )	460	1 267	480	234
Fence (m)	-	-	200	-
Cost of fence (Rand)	-	-	123 000	-
Site Clearance (R60/m <sup>3</sup> )	32 200	88 690	33 600	16 380
Excavation cost (R40/m <sup>3</sup> )	195 600	486 120	174 000	114 240
Filling (R20/m <sup>3</sup> )	256 080	219 720	149 400	279 000
Preliminary and general (Rand)	72 582	119 180	72 000	61 443
Fees and expenses (Rand)	55 646	91 371	55 200	47 106

  

	Letiefontein	Rooifontein/ Kamassies	Paulshoek	Kamieskroon
Area (m <sup>2</sup> )	5 250	6 440	4 900	14 500
Rehabilitation volume (m <sup>3</sup> )	750	484	607	4 100
Fence (m)	-	-	-	460
Cost of fence (Rand)	-	-	-	282 900
Site Clearance (R60/m <sup>3</sup> )	52 500	33 880	42 490	287 000
Excavation cost (R40/m <sup>3</sup> )	300 000	204 240	248 520	1 506 000
Filling (R20/m <sup>3</sup> )	315 000	386 400	294 000	870 000
Preliminary and general (Rand)	100 125	93 678	87 752	441 885
Fees and expenses (Rand)	76 763	71 820	67 276	338 779

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

	Estimated decommission date	2016 R	2015 R
Location			
Hondeklip Bay	2036	5 183 914	3 949 776
Klipfontein	2036	1 529 580	1 283 521
Soebatsfontein	2036	2 920 937	2 657 328
Garies	2020	7 443 520	6 689 301
Tweerivier	2036	1 963 114	1 686 518
Kharkams	2036	3 223 429	2 211 610
Spoeigrivier	2036	1 974 373	1 540 932
Nourivier	2036	1 661 839	1 353 548
Letiefontein	2036	2 708 065	1 972 897
Rooifontein/Kamassies	2036	2 533 694	2 144 540
Paulshoek	2036	2 373 401	1 913 229
Kamieskroon	2036	11 951 594	11 452 377
		<b>45 467 461</b>	<b>38 855 577</b>

4. NON-CURRENT EMPLOYEE BENEFITS

Provision for Post Retirement Health Care Benefits	2 287 611	1 902 843
Provision for Long Service Awards	884 944	737 432
<b>Total Non-current Employee Benefits</b>	<b>3 172 555</b>	<b>2 640 275</b>
<b><u>Post Retirement Health Care Benefits</u></b>		
Balance 1 July	1 939 467	1 696 166
Contribution for the year	362 243	314 891
Expenditure for the year	(39 665)	(37 613)
Actuarial Loss/(Gain)	64 206	(33 977)
<b>Total provision 30 June</b>	<b>2 326 251</b>	<b>1 939 467</b>
<b>Less: Transfer of Current Portion to Current Provisions - Note 6</b>	<b>(38 640)</b>	<b>(36 624)</b>
<b>Balance 30 June</b>	<b>2 287 611</b>	<b>1 902 843</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b><u>Long Service Awards</u></b>		
Balance 1 July	857 516	774 802
Contribution for the year	154 394	132 491
Expenditure for the year	(49 774)	(63 315)
Actuarial Loss/(Gain)	162	13 538
<b>Total provision 30 June</b>	<b>962 298</b>	<b>857 516</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Note 6	(77 354)	(120 084)
<b>Balance 30 June</b>	<b>884 944</b>	<b>737 432</b>

4.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	23	20
In-service (employee) non-members	64	65
Continuation members (e.g. Retirees, widows, orphans)	2	2
<b>Total Members</b>	<b>89</b>	<b>87</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	1 093 881	820 417
In-service non-members	928 400	811 365
Continuation members	303 970	307 685
<b>Total Liability</b>	<b>2 326 251</b>	<b>1 939 467</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2014 R	2013 R	2012 R
In-service members	741 939	513 533	393 335
In-service non-members	643 148	394 803	300 382
Continuation members	306 862	289 763	282 340
<b>Total Liability</b>	<b>1 691 949</b>	<b>1 197 899</b>	<b>976 057</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

LA Health

The Current-service Cost for the ensuing year is estimated to be R204 305, whereas the Interest Cost for the next year is estimated to be R218 803.

Key actuarial assumptions used:	2016 %	2015 %
<b>i) Rate of Interest</b>		
Discount rate	9,48	9,10
Health Care Cost Inflation Rate	8,51	8,26
Net Effective Discount Rate	0,90	0,78
<b>ii) Mortality rates</b>		
The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.		
<b>iii) Normal retirement age</b>		
The normal retirement age for employees of the municipality is 63 years for males and 58 years for females.		

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

iv) Expected rate of salary increases

2016/2017 - average CPI (Feb 2015 – Jan 2016) + 1 per cent  
2017/2018 - average CPI (Feb 2016 – Jan 2017) + 1 per cent

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	2 326 251	1 939 467
Fair value of plan assets	-	-
	<u>2 326 251</u>	<u>1 939 467</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
<b>Net liability/(asset)</b>	<b><u>2 326 251</u></b>	<b><u>1 939 467</u></b>

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	1 939 467	1 696 166
Total expenses	322 578	277 278
Current service cost	187 313	165 472
Interest Cost	174 930	149 419
Benefits Paid	(39 665)	(37 613)
Actuarial (gains)/losses	64 206	(33 977)
Present value of fund obligation at the end of the year	<u>2 326 251</u>	<u>1 939 467</u>

Reconciliation of fair value of plan assets:

Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions: Employer	-	-
Contributions: Employee	-	-
Past Service Costs	-	-
Actuarial (gains)/losses	-	-
Benefits Paid	-	-
Fair value of plan assets at the end of the year	<u>-</u>	<u>-</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2016

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
<b>Assumption</b>			
Central Assumptions	2,022	0,304	2,326

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
<b>Assumption</b>					
Health care inflation	+1%	2,299	0,322	2,621	13%
Health care inflation	-1%	1,723	0,288	2,011	-14%
Post-retirement mortality	-1 year	2,098	0,321	2,419	4%
Average retirement age	-1 year	2,141	0,304	2,445	5%
Withdrawal Rate	-10%	1,376	0,304	1,680	-28%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2017

	Current Service Cost (R)	Interest Cost (R)	Total (R)
<b>Assumption</b>			
Central Assumptions	204 300	218 800	423 100

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care inflation	+1%	231 100	246 700	477 800	13%
Health care inflation	-1%	174 300	188 900	363 200	-14%
Post-retirement mortality	-1 year	211 800	227 600	439 400	4%
Average retirement age	-1 year	205 700	230 100	435 800	3%
Withdrawal Rate	-10%	140 900	157 500	298 400	-29%
				2016 R	2015 R

Experience adjustments were calculated as follows:

Liabilities: (Gain) / loss	64 206	(33 977)
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2014 R	2013 R	2012 R
Liabilities: (Gain) / loss	316 030	(33 977)	41 262
Assets: Gain / (loss)	-	-	-

#### 4.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 87 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R103 797 whereas the Interest Cost for the next year is estimated to be R78 958.

Key actuarial assumptions used:	2016 %	2015 %
I) Rate of Interest		
Discount rate	8,54	7,98
General Salary Inflation (long-term)	7,20	7,05
Net Effective Discount Rate applied to salary-related Long Service Bonuses	1,25	0,87

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	962 298	857 516
Fair value of plan assets	-	-
	962 298	857 516
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
Net liability/(asset)	962 298	857 516

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	857 516	774 802
Total expenses	104 620	69 176
Current service cost	90 682	75 627
Interest Cost	63 712	56 864
Benefits Paid	(49 774)	(63 315)
Actuarial losses	162	13 538
Present value of fund obligation at the end of the year	962 298	857 516

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>Reconciliation of fair value of plan assets:</b>		
Fair value of plan assets at the beginning of the year	-	-
Expected return on plan assets	-	-
Contribution: Employer	-	-
Contribution: Employee	-	-
Past service costs	-	-
Actuarial (gains)/losses	-	-
Benefits paid	-	-
Fair value of plan assets at the end of the year	-	-

**Sensitivity Analysis on the Unfunded Accrued Liability on 30 June 2016**

	Change	Liability (Rm)	% change
<b>Assumption</b>			
Central assumptions			
General salary inflation	+1%	1,023	6%
General salary inflation	-1%	0,907	-6%
Average retirement age	-2 yrs	0,875	-9%
Average retirement age	+2 yrs	1,066	11%
Withdrawal rates	-50%	1,168	21%

**Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2017**

	Current Service Cost (R)	Interest Cost (R)	Total (R)
<b>Assumption</b>			
Central Assumptions	103 800	79 000	182 800

The effect of movements in the assumptions are as follows:

	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
<b>Assumption</b>					
General salary inflation	1%	111 500	84 100	195 600	7%
General salary inflation	-1%	96 900	74 300	171 200	-6%
Average retirement age	-2 yrs	96 400	71 500	167 900	-8%
Average retirement age	+2 yrs	113 500	87 900	201 400	10%
Withdrawal Rate	-50%	137 800	96 600	234 400	28%

	2016 R	2015 R
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	162	13 538
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2014 R	2013 R	2012 R
Liabilities: (Gain) / loss	(11 468)	(2 687)	14 258
Assets: Gain / (loss)	-	-	-

**4.3 Retirement funds**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

	2016 R	2015 R
<b><u>CAPE JOINT RETIREMENT FUND</u></b>		
The contribution rate paid by the members (9,0%) and Council (18,0%). The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 100,0% (30 June 2014 - 99,9%).		
Contributions paid recognised in the Statement of Financial Performance	956 310	859 448

**DEFINED CONTRIBUTION FUNDS**

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

National Fund Municipal Workers	87 847	78 894
SAMWU National Provident Fund	730 374	692 107
	818 222	771 001

**5. CONSUMER DEPOSITS**

Water and Electricity	1 363 884	1 369 119
<b>Total Consumer Deposits</b>	<b>1 363 884</b>	<b>1 369 119</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding amount.

**6. CURRENT EMPLOYEE BENEFITS**

Staff Bonuses	445 525	394 998
Staff Leave	1 307 578	1 242 836
Current Portion of Non-Current Provisions	115 994	156 708
Current Portion of Post Retirement Benefits - Note 4	38 640	36 624
Current Portion of Long-Service Provisions - Note 4	77 354	120 084
<b>Total Provisions</b>	<b>1 869 097</b>	<b>1 794 542</b>



KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

The movement in current provisions are reconciled as follows:

	2016 R	2015 R
<b>6.1 <u>Staff Bonuses</u></b>		
Balance at beginning of year	394 998	359 820
Contribution to current portion	932 575	827 792
Expenditure incurred	(882 048)	(792 614)
Balance at end of year	<u>445 525</u>	<u>394 998</u>

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

<b>6.2 <u>Staff Leave</u></b>		
Balance at beginning of year	1 242 836	1 044 703
Contribution to current portion	80 549	269 384
Expenditure incurred	(15 807)	(71 252)
Balance at end of year	<u>1 307 578</u>	<u>1 242 836</u>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**7. PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade Payables	33 134 838	27 181 107
Payments received in advance	909 747	808 003
Retentions	-	68 165
Other Creditors	9 017 216	5 131 615
Correction of Error - Note 37.2	-	(1 073 554)
<b>Total Trade Payables</b>	<u>43 061 801</u>	<u>32 115 335</u>

Payables are being recognised net of any discounts.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

**8. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unspent Conditional Government Grants and Receipts	4 141 952	9 854 187
National Government Grants	709 314	8 930 745
Provincial Government Grants	3 093 513	2 599 298
District Municipality	339 125	324 124
Other Sources	-	-
<b>Less: Unpaid Conditional Government Grants and Receipts</b>	-	-
National Government Grants	-	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	-	-
<b>Total Conditional Grants and Receipts</b>	<u>4 141 952</u>	<u>9 854 167</u>

See appendix "O" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>9. TAXES</b>		
9.1 VAT Payable	(166 825)	-
VAT output in suspense	(2 697 348)	(2 590 051)
Less: Contribution to provision for impairment of trade receivables from exchange transactions	-	-
<b>Total VAT Payable</b>	<b>(2 864 173)</b>	<b>(2 590 051)</b>
9.2 VAT Receivable	3 556 988	1 994 887
VAT input in suspense	510 765	519 418
Correction of Error - Note 37.3	-	(291 502)
<b>Total VAT Receivable</b>	<b>4 067 753</b>	<b>2 222 802</b>
<b>9.3 Net VAT (Payable)/Receivable</b>	<b>1 203 580</b>	<b>(367 249)</b>

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**10. SHORT-TERM LOANS**

The Municipality has no short term loans.

11. PROPERTY, PLANT AND EQUIPMENT

11.1 30 JUNE 2016

Reconciliation of Carrying Value		Land R	Buildings R	Infrastructure R	Lease Assets R	Other R	Total R
Carrying Value at 1 July 2015		7 657 095	7 910 537	91 717 524	530 804	1 424 409	109 240 368
Cost		7 657 095	9 765 979	208 558 372	922 892	4 661 951	231 566 288
Original Cost		7 657 095	9 765 979	208 558 372	922 892	4 661 951	231 566 288
Accumulated Depreciation and Impairment Losses		-	(1 855 443)	(116 840 848)	(392 088)	(3 237 542)	(122 325 920)
Original Cost		-	(1 855 443)	(116 840 848)	(392 088)	(3 237 542)	(122 325 920)
Acquisitions		-	47 040	2 321 917	487 948	350 253	3 207 158
Capital under Construction		-	-	6 640 018	-	-	6 640 018
Depreciation		-	(724 919)	(7 360 803)	(210 118)	(495 177)	(8 791 017)
Normal Depreciation		-	(724 919)	(7 360 803)	(210 118)	(495 177)	(8 791 017)
Correction of Error - Note 38.4		-	-	-	-	-	-
Carrying value of disposals		-	-	-	(106 960)	(266 900)	(373 860)
Cost		-	-	-	(437 166)	(1 079 569)	(1 516 735)
Accumulated Depreciation		-	-	-	330 206	812 669	1 142 875
Impairment losses		-	-	301 350	-	-	301 350
Reversal of Impairment losses		-	-	356 629	-	-	356 629
Impairment losses		-	-	(55 279)	-	-	(55 279)
Carrying Value at 30 June 2016		7 657 095	7 232 658	93 620 005	701 674	1 012 585	110 224 016
Cost		7 657 095	9 813 019	217 520 307	973 673	3 932 635	239 896 729
Original Cost		7 657 095	9 813 019	217 520 307	973 673	3 932 635	239 896 729
Accumulated Depreciation and Impairment Losses		-	(2 580 361)	(123 900 301)	(272 000)	(2 920 051)	(129 672 713)
Original Cost		-	(2 580 361)	(123 900 301)	(272 000)	(2 920 051)	(129 672 713)

Reconciliation of Carrying Value		Land R	Buildings R	Infrastructure R	Lease Assets R	Other R	Total R
Carrying Value at 1 July 2014		7 469 448	8 635 455	85 221 809	489 875	1 602 123	103 418 710
Cost		7 469 448	9 765 979	194 827 721	983 810	4 312 288	217 359 246
Original Cost		21 832 843	20 539 026	194 827 721	773 810	4 312 288	242 285 687
Correction of Error - Note 37.4		(14 363 394)	(10 773 047)	-	210 000	-	(24 926 441)
Accumulated Depreciation and Impairment Losses		-	(1 130 524)	(109 605 912)	(493 935)	(2 710 164)	(113 940 535)
Original Cost		-	(9 442 123)	(109 605 912)	(378 435)	(2 710 164)	(122 136 634)
Correction of Error - Note 37.4		-	8 311 599	-	(115 500)	-	8 196 099
Acquisitions		187 647	-	2 355 904	273 960	374 003	3 191 513
Capital under Construction		-	-	5 900 733	-	-	5 900 733
Depreciation		-	(724 919)	(8 164 623)	(195 091)	(527 378)	(9 612 011)
Normal Depreciation		-	(724 919)	(8 164 623)	(195 091)	(527 378)	(9 612 011)
Backlog Depreciation previously not recorded - Note 37.4		-	-	-	-	-	-
Carrying value of disposals		-	-	-	(37 940)	(24 340)	(62 280)
Cost		-	-	-	(334 878)	(24 340)	(359 218)
Accumulated Depreciation		-	-	-	296 938	-	296 938
IGRAP 2 Adjustments		-	-	6 403 702	-	-	6 403 702
Cost		-	-	5 474 015	-	-	5 474 015
Reversal of impairment losses		-	-	1 118 704	-	-	1 118 704
Impairment losses		-	-	(189 016)	-	-	(189 016)
Carrying Value at 30 June 2015		7 657 095	7 910 537	91 717 524	530 804	1 424 409	109 240 368
Cost		7 657 095	9 765 979	208 558 372	922 892	4 661 951	231 566 288
Original Cost		7 657 095	9 765 979	208 558 372	922 892	4 661 951	231 566 288
Accumulated Depreciation and Impairment Losses		-	(1 855 443)	(116 840 848)	(392 088)	(3 237 542)	(122 325 920)
Original Cost		-	(1 855 443)	(116 840 848)	(392 088)	(3 237 542)	(122 325 920)

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>11.2 Expenditure recognised in the carrying amount of property, plant and equipment in the course of its construction:</b>		
Infrastructure	7 480 374	8 070 736
Community Assets	-	-
Other	-	-
	<u>7 480 374</u>	<u>8 070 736</u>
<b>11.3 Assets pledged as security:</b>		
Leased Property, Plant and Equipment of R701 674 (2015: R436 304) secured for leases as set out in Note 2.		
<b>11.4 Contractual commitments for acquisition of property, plant and equipment:</b>		
Approved and contracted for:	9 417 202	2 008 530
Infrastructure	<u>9 417 202</u>	<u>2 008 530</u>
Total	<u>9 417 202</u>	<u>2 008 530</u>
This expenditure will be financed from:		
Government Grants	9 417 202	2 008 530
Total	<u>9 417 202</u>	<u>2 008 530</u>
<b>12. INVESTMENT PROPERTY</b>		
Net Carrying amount at 1 July 2015	2 471 010	2 484 910
Cost	2 471 010	2 496 396
Correction of Error - Note 37.5	-	(11 486)
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	-
Disposals	-	(13 900)
Net Carrying amount at 30 June 2016	<u>2 471 010</u>	<u>2 471 010</u>
Cost	2 471 010	2 471 010
Accumulated Depreciation	-	-
Estimate Fair Value of Investment Property at 30 June 2016	<u>2 471 010</u>	<u>2 471 010</u>
<b>13. INTANGIBLE ASSETS</b>		
Net Carrying amount at 1 July 2014	107 808	143 743
Cost	262 405	262 405
Accumulated Amortisation	(154 597)	(118 662)
Acquisitions	16 008	-
Amortisation	(26 406)	(35 936)
Net Carrying amount at 30 June 2015	<u>97 410</u>	<u>107 808</u>
Cost	278 413	262 405
Accumulated Amortisation	(181 003)	(154 597)
No intangible asset were assessed having an indefinite useful life.		
There are no internally generated intangible assets at reporting date.		
There are no intangible assets whose title is restricted.		
There are no intangible assets pledged as security for liabilities.		
There are no contractual commitments for the acquisition of intangible assets.		

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>14. INVENTORY</b>		
Consumable Stores - Stationery and materials - At cost	65 054	32 222
Water - At purification cost	18 047	49 773
<b>Total Inventory</b>	<b>83 100</b>	<b>81 995</b>

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

**15. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Electricity	4 707 771	5 718 432
Water	10 763 150	9 817 173
Refuse	4 829 565	4 163 955
Sewerage	2 446 015	2 220 661
Other Arrears	12 719 910	11 684 787
<b>Total: Receivables from exchange transactions (before provision)</b>	<b>35 466 410</b>	<b>33 605 008</b>
<b>Less: Provision for Debt Impairment</b>	<b>(30 542 159)</b>	<b>(28 729 248)</b>
<b>Total: Receivables from exchange transactions (after provision)</b>	<b>4 924 251</b>	<b>4 875 760</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

**(Electricity): Ageing**

Current (0 - 30 days)	224 891	1 560 000
31 - 60 Days	153 463	198 394
61 - 90 Days	134 418	153 927
+ 90 Days	4 194 998	3 808 110
<b>Total</b>	<b>4 707 771</b>	<b>5 718 432</b>

**(Water): Ageing**

Current (0 - 30 days)	281 917	281 886
31 - 60 Days	281 732	573 273
61 - 90 Days	317 442	263 316
+ 90 Days	9 882 059	8 718 697
<b>Total</b>	<b>10 763 150</b>	<b>9 817 173</b>

**(Refuse): Ageing**

Current (0 - 30 days)	113 713	101 800
31 - 60 Days	108 096	93 291
61 - 90 Days	102 558	88 995
+ 90 Days	4 507 198	3 879 869
<b>Total</b>	<b>4 829 565</b>	<b>4 163 955</b>

**(Sewerage): Ageing**

Current (0 - 30 days)	88 068	92 540
31 - 60 Days	75 079	78 665
61 - 90 Days	66 706	71 597
+ 90 Days	2 216 165	1 977 860
<b>Total</b>	<b>2 446 015</b>	<b>2 220 661</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b><u>(Other): Ageing</u></b>		
Current (0 - 30 days)	96 235	169 338
31 - 60 Days	95 885	204 548
61 - 90 Days	94 958	152 763
+ 90 Days	12 432 831	11 158 138
<b>Total</b>	<b>12 719 910</b>	<b>11 684 787</b>

<b><u>(Total): Ageing</u></b>		
Current (0 - 30 days)	804 822	2 185 565
31 - 60 Days	712 256	1 148 172
61 - 90 Days	716 082	730 598
+ 90 Days	33 233 251	29 540 674
<b>Total</b>	<b>35 466 410</b>	<b>33 605 008</b>

**Reconciliation of Provision for Debt Impairment**

Balance at beginning of year	28 729 248	26 396 164
Contribution to provision	1 590 273	2 046 565
VAT on provision	222 638	286 519
Bad Debts written off against provision	-	-
Reversal of provision	-	-
<b>Balance at end of year</b>	<b>30 542 159</b>	<b>28 729 248</b>

**Ageing of amounts past due but not impaired:**

31 - 60 Days	712 256	1 148 172
61 - 90 Days	716 082	730 598
+ 90 Days	2 691 092	811 428
	<b>4 119 429</b>	<b>2 690 195</b>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

**16. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS**

Taxes - Rates	15 467 704	11 727 860
Other Receivables	110 472	121 137
	<b>15 578 176</b>	<b>11 848 998</b>
<b>Less: Provision for Debt Impairment</b>	<b>(12 476 453)</b>	<b>(9 902 367)</b>
<b>Total Receivables from non-exchange transactions</b>	<b>3 101 723</b>	<b>1 946 631</b>

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<u>(Rates): Ageing</u>		
Current (0 - 30 days)	275 215	561 368
31 - 60 Days	231 942	205 053
61 - 90 Days	391 429	226 897
+ 90 Days	14 569 118	10 734 542
<b>Total</b>	<b>15 467 704</b>	<b>11 727 860</b>

Reconciliation of Provision for Debt Impairment

Balance at beginning of year	9 902 367	2 715 111
Contribution to provision	2 574 087	7 187 256
Bad Debts written off against provision	-	-
Reversal of provision	-	-
<b>Balance at end of year</b>	<b>12 476 453</b>	<b>9 902 367</b>

The total amount of this provision is R12 253 815 and consist of:

Taxes	12 476 453	9 902 367
Other	-	-
<b>Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions</b>	<b>12 476 453</b>	<b>9 902 367</b>

Ageing of amounts past due but not impaired:

31 - 60 Days	231 942	205 053
61 - 90 Days	391 429	226 897
+ 90 Days	2 092 665	832 175
	<b>2 716 036</b>	<b>1 264 125</b>

The provision for doubtful debts on debtors (loans and receivables) exists due to the possibility that not all debts will be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position date as financial assets with similar credit risk characteristics and collectively assessed for impairment.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines.

17. OPERATING LEASE ARRANGEMENTS

17.1 The Municipality as Lessor

Operating Lease Asset	-	6
-----------------------	---	---

Reconciliation

Balance at the beginning of the year	6	1 471
Movement during the year	(6)	(1 465)
<b>Balance at the end of the year</b>	<b>-</b>	<b>6</b>



KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
At the Statement of Financial Position date, where the municipality acts as a lessee under operating leases, it will pay operating lease expenditure as follows:		
Up to 1 Year	-	116
1 to 5 Years	-	-
More than 5 Years	-	-
<b>Total Operating Lease Arrangements</b>	<b>-</b>	<b>116</b>

18. BANK ACCOUNTS

18.1 Cash and Cash Equivalents

Current Accounts	276 895	136 202
Call Investments Deposits	519 737	728 573
<b>Total Cash and Cash Equivalents - Assets</b>	<b>796 632</b>	<b>864 775</b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

Call Investments Deposits to an amount of R519 736 are held to fund the Unspent Conditional Grants (2015: R728 573).

A guarantee of R265 534 (2015: R265 534) for Deman Facility Individual Guarantee exists.

The municipality has the following bank accounts:

Current Accounts

First National Bank - Account Number 620 2250 1440 (Primary Bank Account):	276 895	136 202
	<b>276 895</b>	<b>136 202</b>

Call Investment Deposits

First National Bank - Account Number 62012466018:	-	1 000
First National Bank - Account Number 62182751729:	-	219 572
First National Bank - Account Number 62117682791:	-	18 778
First National Bank - Account Number 62117684606:	-	140
First National Bank - Account Number 74282299369:	255 378	239 800
First National Bank - Account Number 71053360915:	125 192	118 045
First National Bank - Account Number 71059354764:	139 166	131 221
Momentum 3D Gearing Plan - Account Number 1001327535:	-	(11)
	<b>519 736</b>	<b>728 544</b>

Details of current accounts are as follows:

*First National Bank - Account Number 620 2250 1440 (Primary Bank Account):*

Cash book balance at beginning of year	136 202	187 702
Cash book balance at end of year	<b>276 895</b>	<b>136 202</b>

Bank statement balance at beginning of year	136 025	46 326
Bank statement balance at end of year	<b>54 927</b>	<b>136 025</b>

*First National Bank - Account Number 62012466018:*

Cash book balance at beginning of year	1 000	1 038
Cash book balance at end of year	<b>-</b>	<b>1 000</b>

Bank statement balance at beginning of year	1 000	1 038
Bank statement balance at end of year	<b>-</b>	<b>1 000</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>First National Bank - Account Number 62182751729:</b>		
Cash book balance at beginning of year	219 572	10 000
Cash book balance at end of year	-	219 572
Bank statement balance at beginning of year	219 572	10 000
Bank statement balance at end of year	(18)	219 572
<b>First National Bank - Account Number 62117682791:</b>		
Cash book balance at beginning of year	18 778	100 303
Cash book balance at end of year	-	18 778
Bank statement balance at beginning of year	18 778	100 303
Bank statement balance at end of year	-	18 778
<b>First National Bank - Account Number 62117684606:</b>		
Cash book balance at beginning of year	140	140
Cash book balance at end of year	-	140
Bank statement balance at beginning of year	140	140
Bank statement balance at end of year	-	140
<b>First National Bank - Account Number 74282299369:</b>		
Cash book balance at beginning of year	239 800	226 703
Cash book balance at end of year	255 378	239 800
Bank statement balance at beginning of year	239 800	226 703
Bank statement balance at end of year	255 378	239 800
<b>First National Bank - Account Number 71053360915:</b>		
Cash book balance at beginning of year	118 045	111 587
Cash book balance at end of year	125 192	118 045
Bank statement balance at beginning of year	118 045	111 587
Bank statement balance at end of year	125 192	118 045
<b>First National Bank - Account Number 71059354764:</b>		
Cash book balance at beginning of year	131 221	131 221
Cash book balance at end of year	139 166	131 221
Bank statement balance at beginning of year	131 221	124 080
Bank statement balance at end of year	139 166	131 221
<b>Momentum 3D Gearing Plan - Account Number 1001327535:</b>		
Cash book balance at beginning of year	(11)	(11)
Cash book balance at end of year	-	(11)
Bank statement balance at beginning of year	(11)	(11)
Bank statement balance at end of year	-	(11)
<b>19. PROPERTY RATES</b>		
<u>Actual</u>		
Rateable Land and Buildings	7 278 406	7 713 453
<u>Less:</u> Rebates	(1 530 983)	(1 420 202)
Total Assessment Rates	5 747 423	6 293 251

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>Valuations - 1 July 2015</b>		
<b>Rateable Land and Buildings</b>	1 361 168 800	1 365 794 300
Residential Property	202 451 200	207 026 400
Commercial Property	32 682 300	32 275 500
Industrial Property	3 458 500	3 659 200
Public Benefits Organisations	19 309 100	18 597 300
Agricultural Purposes	1 018 700 200	1 016 661 100
State - National/ Provincial Services	68 213 200	70 210 400
Municipal Property	16 354 300	17 364 400
<b>Total Assessment Rates</b>	<b>1 361 168 800</b>	<b>1 365 794 300</b>

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

**Basic Rate**

Residential	1.261286c/R	1.18989c/R
Commercial	1.891929c/R	1.178483c/R
Agricultural	0.052968c/R	0.04997c/R
State	3.153215c/R	2.97473c/R
Industrial	1.891929c/R	1.178483c/R

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at a rate determined by the council on outstanding rates amounts.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential	- The first R15 000 on the valuation is exempted.
Public Benefit Organisations	-100%
State	- 30%

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

20. **GOVERNMENT GRANTS AND SUBSIDIES**

**Unconditional**

Equitable Share	17 563 000	13 411 000
-----------------	------------	------------

**Conditional**

Grants and Donations	11 166 637	11 969 294
Subsidies	-	-

**Total Government Grants and Subsidies**

<b>28 729 637</b>	<b>25 380 294</b>
-------------------	-------------------

Government Grants and Subsidies - Operating  
Government Grants and Subsidies - Capital

19 561 014	16 745 313
9 168 623	8 634 981

**Total Government Grants and Subsidies**

<b>28 729 637</b>	<b>25 380 294</b>
-------------------	-------------------

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	17 563 000	13 411 000
Budget & Treasury Office	9 354 190	10 797 607
Corporate Services	265 024	248 412
Planning & Development	-	47 176
Road Transport	205 761	876 100
Electricity	380 008	-
<b>Total Government Grants and Subsidies</b>	<b>28 729 637</b>	<b>25 380 294</b>

20.1 Equitable Share

Opening balance	-	-
Correction of Error	-	-
Grants received	10 127 000	13 411 000
Interest received	-	-
Repaid to National Revenue Fund	7 436 000	-
Conditions met - Operating	(17 563 000)	(13 411 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

20.2 Local Government Financial Management Grant (FMG)

Opening balance	-	-
Correction of Error	-	-
Grants received	1 875 000	1 800 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(1 611 681)	(1 800 000)
Conditions met - Capital	-	-
Conditions still to be met	263 319	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

20.3 Municipal Systems Improvement Grant (MSIG)

Opening balance	542 555	478 027
Correction of Error	-	-
Grants received	930 000	934 000
Interest received	-	-
Repaid to National Revenue Fund	(1 212 616)	-
Conditions met - Operating	(98 741)	(867 471)
Conditions met - Capital	-	-
Conditions still to be met	161 198	542 555

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>20.4 <u>Municipal Infrastructure Grant (MIG)</u></b>		
Opening balance	6 223 384	4 998 120
Correction of Error	-	-
Grants received	7 460 000	9 129 000
Interest received	-	-
Repaid to National Revenue Fund	(6 223 384)	-
Conditions met - Operating	-	-
Conditions met - Capital	(7 460 000)	(7 903 737)
Conditions still to be met	<u>-</u>	<u>6 223 384</u>
The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.		
<b>20.5 <u>Integrated National Electrification Grant</u></b>		
Opening balance	164 805	164 805
Correction of Error	-	-
Grants received	500 000	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(380 008)	-
Conditions still to be met	<u>284 796</u>	<u>164 805</u>
The grant was used to promote rural development and upgrade electricity infrastructure.		
<b>20.6 <u>Expanded Public Works Programme (EPWP)</u></b>		
Opening balance	1 052 520	928 620
Correction of Error	-	-
Grants received	-	1 000 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(144 855)
Conditions met - Capital	(205 761)	(731 244)
Conditions still to be met	<u>846 759</u>	<u>1 052 520</u>
The grant was used for job creation.		
<b>20.7 <u>Department Water Affairs and Environment (DWAF)</u></b>		
Opening balance	141 362	141 362
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>141 362</u>	<u>141 362</u>
The grant was used for the refurbishment of water infrastructure.		
<b>20.8 <u>Library Grant</u></b>		
Opening balance	622 808	218 219
Correction of Error	-	-
Grants received	965 000	653 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(265 024)	(248 412)
Conditions met - Capital	-	-
Conditions still to be met	<u>1 322 784</u>	<u>622 808</u>
The grant was used to finance library activities.		

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>20.9 <u>Project Nala</u></b>		
Opening balance	620 180	620 180
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>620 180</u>	<u>620 180</u>
The grant was used for job creation.		
<b>20.10 <u>Department Finance, Economic Development &amp; Tourism</u></b>		
Opening balance	100 000	50 000
Correction of Error	-	-
Grants received	-	50 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>100 000</u>	<u>100 000</u>
The grant will be used for the Power Flower Run.		
<b>20.11 <u>Tourism</u></b>		
Opening balance	31 275	78 451
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(47 176)
Conditions met - Capital	-	-
Conditions still to be met	<u>31 275</u>	<u>31 275</u>
The grant was used for tourism activities.		
<b>20.12 <u>Department Social Services</u></b>		
Opening balance	482	482
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>482</u>	<u>482</u>
The grant was used for various projects.		
<b>20.13 <u>Department Sport, Arts and Culture</u></b>		
Opening balance	6 262	6 262
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>6 262</u>	<u>6 262</u>
The grant was used for various projects.		

## KAMIESBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>20.14 Drought Relief</b>		
Opening balance	24 409	24 409
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>24 409</u>	<u>24 409</u>
The grant was used for drought relief.		
<b>20.15 Accelerated Community Infrastructure Programme (ACIP)</b>		
Opening balance	-	-
Correction of Error	-	-
Grants received	961 654	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(961 654)	-
Conditions still to be met	<u>-</u>	<u>-</u>
The grant was used for drought relief.		
<b>20.16 Namakwa DM</b>		
Opening balance	324 125	435 138
Correction of Error	-	-
Grants received	198 768	115 386
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(22 568)	(226 399)
Conditions met - Capital	(161 200)	-
Conditions still to be met	<u>339 125</u>	<u>324 125</u>
The grant was used for various projects.		
<b>20.17 Total Grants</b>		
Opening balance	9 854 167	8 142 075
Correction of Error	-	-
Grants received	23 017 422	27 092 386
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(19 561 014)	(16 745 313)
Conditions met - Capital	(9 168 623)	(8 634 981)
Conditions still to be met/(Grant expenditure to be recovered)	<u>4 141 952</u>	<u>9 854 167</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	4 141 952	9 854 167
Unpaid Conditional Government Grants and Receipts	-	-
Total	<u>4 141 952</u>	<u>9 854 167</u>
<b>21. PUBLIC CONTRIBUTIONS AND DONATIONS</b>		
De Beers	-	-
Other	94 372	115 865
Total Public Contributions and Donations	<u>94 372</u>	<u>115 865</u>

## KAMIESBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>22. SERVICE CHARGES</b>		
Electricity	5 053 735	4 993 771
Water	2 897 256	3 792 337
Refuse Removal	1 655 554	1 659 778
Sewerage and Sanitation Charges	1 148 269	1 290 226
	<b>10 754 815</b>	<b>11 736 111</b>
<u>Less:</u> Income Forgone	(1 757 411)	(1 896 112)
<b>Total Service Charges</b>	<b>8 997 404</b>	<b>9 840 000</b>
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
<b>23. RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental of facilities	280 196	280 444
Rental of equipment	456	180
<b>Total Rental of Facilities and Equipment</b>	<b>280 652</b>	<b>280 624</b>
<b>24. INTEREST EARNED - EXTERNAL INVESTMENTS</b>		
Bank	141 101	140 637
<b>Total Interest Earned - External Investments</b>	<b>141 101</b>	<b>140 637</b>
<b>25. INTEREST EARNED - OUTSTANDING RECEIVABLES</b>		
Trade Receivables	3 303 821	2 545 667
<b>Total Interest Earned - Outstanding Receivables</b>	<b>3 303 821</b>	<b>2 545 667</b>
<b>26. OTHER INCOME</b>		
Building plans	13 359	7 930
Connection Fees	45 174	20 762
Insurance claims	120 758	-
Commonage Rent	569 483	542 755
Motor Vehicle Number plates	362	-
Opening of graves	5 502	10 259
Photostat, Copies and Faxes	16 884	14 258
Telephone Cost Recover	30	10
Tender Documents	12 035	1 579
Training	9 452	-
Valuation Certificates	11 968	17 411
Sundry Income	284 274	193 324
<b>Total Other Income</b>	<b>1 089 281</b>	<b>808 289</b>
<b>27. EMPLOYEE RELATED COSTS</b>		
Basic Salaries and Wages	11 945 875	10 850 018
Pension and UIF Contributions	1 716 162	1 578 127
Medical Aid Contributions	461 916	378 455
Cellphone Allowance	55 012	54 509
Motor Vehicle Allowance	652 278	630 370
Other benefits and allowances	480 325	544 282
Housing Allowances	140 250	143 180
Overtime	580 341	537 760
Bonuses	932 575	827 792
Provision for leave	80 549	269 384
Contribution to provision - Long Service Awards - Note 4	90 682	75 627
Contribution to provision - Post Retirement Medical - Note 4	187 313	165 472
Correction of Error - Note 37.9	-	(11 000)
	<b>17 323 277</b>	<b>16 043 977</b>
<u>Less:</u> Employee Costs allocated elsewhere	-	-
<b>Total Employee Related Costs</b>	<b>17 323 277</b>	<b>16 043 977</b>



KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

	2016 R	2015 R
<b>REMUNERATION OF KEY MANAGEMENT PERSONNEL</b>		
<i>Remuneration of the Municipal Manager - Mr JG Cloete</i>		
Salary	619 115	625 634
Contributions to UIF, Medical and Pension Funds	10 003	6 859
Allowances	117 789	206 110
<b>Total</b>	<b>746 908</b>	<b>838 602</b>
<i>Remuneration of the Chief Financial Officer - Mr RC Beukes</i>		
Salary	320 881	293 481
Contributions to UIF, Medical and Pension Funds	74 958	66 914
Allowances	87 420	90 793
Annual Bonus	26 740	22 301
<b>Total</b>	<b>510 000</b>	<b>473 490</b>
<i>Remuneration of Manager: Corporate Services - Mrs DC Beukes</i>		
Salary	292 551	267 618
Contributions to UIF, Medical and Pension Funds	89 544	85 791
Allowances	75 000	83 571
Annual Bonus	24 379	20 884
<b>Total</b>	<b>481 474</b>	<b>457 864</b>
<i>Remuneration of Manager: Technical Services - Mr FA Links</i>		
Salary	293 289	280 038
Contributions to UIF, Medical and Pension Funds	90 584	87 308
Allowances	87 420	139 393
Annual Bonus	24 441	34 832
<b>Total</b>	<b>495 734</b>	<b>541 570</b>
<b>28. REMUNERATION OF COUNCILLORS</b>		
PJ Willems	232 360	224 507
HG Links	240 216	228 119
MJ Cloete	882 687	890 565
MS Joseph	238 598	225 203
EA Steenkamp	238 916	236 545
SC Nero	238 900	259 388
MR Klaase	185 935	228 119
S Engelbrecht	37 761	-
<b>Total Councillors' Remuneration</b>	<b>2 293 373</b>	<b>2 292 447</b>

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Mayor	433 659	172 045	151 335	108 738	865 777
Councillors	845 928	302 542	151 617	127 509	1 427 596
<b>Total Councillors' Remuneration</b>	<b>1 279 587</b>	<b>474 587</b>	<b>302 952</b>	<b>236 247</b>	<b>2 293 373</b>

## KAMIESBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>29. DEBT IMPAIRMENT</b>		
Receivables from exchange transactions - Note 15	1 812 911	2 333 084
Receivables from non-exchange transactions - Note 16	2 574 087	7 187 256
	<u>4 386 998</u>	<u>9 520 341</u>
<b>Less:</b> VAT Portion on Debt Impairment	(222 638)	(286 519)
<b>Total Debt Impairment</b>	<u><u>4 164 359</u></u>	<u><u>9 233 822</u></u>
<b>30. DEPRECIATION AND AMORTISATION</b>		
Property, plant and equipment	8 791 217	9 612 011
Intangible assets	26 406	35 936
<b>Total Depreciation and Amortisation</b>	<u><u>8 817 622</u></u>	<u><u>9 647 947</u></u>
<b>31. FINANCE COSTS</b>		
Long-term Liabilities	161 307	79 520
Non-current Provisions	1 004 354	867 631
Non-current Employee Benefits	238 642	206 283
Creditors	2 175 124	599 485
Correction of Error - Note 37.9	-	(60 440)
<b>Total Finance Costs</b>	<u><u>3 579 427</u></u>	<u><u>1 692 479</u></u>
<b>32. BULK PURCHASES</b>		
Electricity	9 015 126	4 548 803
Water	412 515	539 718
Correction of Error - Note 37.9	-	5 675 514
<b>Total Bulk Purchases</b>	<u><u>9 427 640</u></u>	<u><u>10 764 035</u></u>
<b>33. OTHER OPERATING GRANT EXPENDITURE</b>		
Operating Grant Expenditure per Vote		
Budget & Treasury Office	1 341 271	1 063 203
Corporate Services	265 326	248 412
Planning & Development	32 455	85 387
Road Transport	161 200	226 399
Electricity	-	-
<b>Total Operating Grant Expenditure</b>	<u><u>1 800 251</u></u>	<u><u>1 623 400</u></u>
<b>34. GENERAL EXPENSES</b>		
Administration Costs	-	-
Advertising	6 611	21 588
Audit Fees	1 991 677	1 737 429
Bank Charges	65 250	67 597
Chemicals and Poison	147 970	186 465
Desalting	-	31 465
Fuel and Oil	524 388	807 723
Insurance	328 188	267 835
Legal Costs	135 170	177 667
Levies: SALGA	505 578	522 000
Licensing	29 320	32 385
Marketing and Public Relations	139 500	128 500
Materials	86 381	31 008
Printing and Stationery	280 071	297 811
Refreshments	5 045	1 469
Special Projects/Programmes	34 000	165 918
Telephone Cost	773 916	711 893
Ward Committee Meetings	87 503	63 165
Other	168 127	106 430
Correction of Error - Note 37.9	-	(1 466 032)
<b>Total General Expenses</b>	<u><u>5 308 692</u></u>	<u><u>3 692 316</u></u>

## KAMIESBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>35. GAINS/(LOSS) ON SALE OF ASSETS</b>		
Property, plant and equipment	(383 502)	(49 471)
Correction of Error - Note 37.7	-	(24 340)
<b>Total Gain/ (Loss) on Sale of Assets</b>	<b>(383 502)</b>	<b>(73 811)</b>
<b>36. (IMPAIRMENT LOSS)/ REVERSAL OF IMPAIRMENT LOSS</b>		
Property, Plant and Equipment	301 350	-
<b>Total (Impairment Loss)/ Reversal of Impairment Loss</b>	<b>301 350</b>	<b>-</b>
<b>37. CORRECTION OF ERROR IN TERMS OF GRAP 3</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP:		
<b>37.1 Long-Term Liabilities</b>		
Balance previously reported	-	344 236
Finance Leases not recognised in periods before 1 July 2014 - Note 3	-	210 000
Redemption on Finance Leases not recognised in periods before 1 July 2014 - Note 3	-	(20 735)
Redemption on Finance Leases not recognised in 2014/2015 - Note 3	-	(32 330)
<b>Restated Balance</b>	<b>-</b>	<b>501 171</b>
Finance Leases not recognised in prior years		
<b>37.2 Payables from Exchange Transactions</b>		
Balance previously reported	-	33 188 889
Correction of Trade Creditors in periods before 1 July 2014- Note 7	-	(7 068 637)
Correction of Other Creditors in periods before 1 July 2014- Note 7	-	1 892 878
Correction of Salary Suspense Accounts in 2014/15 - Note 7	-	(11 000)
Correction of Trade Creditors in 2014/15- Note 7	-	4 241 812
Correction of Accrued Interest In 2014/15 - Note 7	-	(80 440)
Correction of Retention Payable in periods before 1 July 2014- Note 7	-	(68 165)
<b>Restated Balance</b>	<b>-</b>	<b>32 115 335</b>
Correction of prior year Creditors.		
<b>37.3 Taxes</b>		
Balance previously reported	-	75 747
Correction of VAT Control Accounts - Note 9	-	291 502
<b>Restated Balance</b>	<b>-</b>	<b>367 249</b>
Correction of VAT Control Accounts.		
<b>37.4 Property, Plant and Equipment</b>		
Balance previously reported	-	125 995 051
Cost	-	(24 926 441)
Buildings recognised incorrectly in periods before 1 July 2014 - Note 11	-	(10 773 047)
Land recognised incorrectly in periods before 1 July 2014 - Note 11	-	(14 363 394)
Lease Assets not recognised in periods before 1 July 2014 - Note 11	-	210 000
Accumulated Depreciation	-	8 311 599
Depreciation on Buildings recognised incorrectly in periods before 1 July 2014 - Note 11	-	8 311 599
Depreciation on Lease Assets recognised incorrectly in periods before 1 July 2014 - Note 11	-	(115 500)
<b>Restated Balance</b>	<b>-</b>	<b>109 380 208</b>
Correction of Land, Infrastructure and Lease Assets.		

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>37.5 Investment Property</b>		
Balance previously reported	-	2 482 496
Land recognised incorrectly in periods before 1 July 2014 - Note 12	-	(11 486)
<b>Restated Balance</b>	<b>-</b>	<b>2 471 010</b>
Land recognised incorrectly in prior years.		
<b>37.6 Accumulated Surplus/(Deficit) - 1 July 2014</b>		
Finance Leases not recognised in prior years - Note 37.1	-	(210 000)
Lease Assets not recognised in periods before 1 July 2014 - Note 37.2	-	210 000
Redemption on Finance Leases not recognised in periods before 1 July 2014 - Note 37.1	-	20 735
Depreciation on Lease Assets recognised incorrectly in periods before 1 July 2014 - Note 37.2	-	(115 500)
Correction of Retention Payable in periods before 1 July 2014 - Note 37.2	-	68 165
Correction of Trade Creditors in periods before 1 July 2014 - Note 37.2	-	7 068 637
Correction of VAT Control Accounts in periods before 1 July 2014 - Note 37.3	-	(291 502)
Correction of Other Creditors in periods before 1 July 2014 - Note 37.2	-	(1 892 876)
Buildings recognised incorrectly in periods before 1 July 2014 - Note 37.4	-	(10 773 047)
Depreciation on Buildings recognised incorrectly in periods before 1 July 2014 - Note 37.4	-	8 311 599
Land recognised incorrectly in periods before 1 July 2014 - Note 37.4	-	(14 363 394)
Investment Property Land recognised incorrectly in periods before 1 July 2014 - Note 37.5	-	(11 486)
<b>Total</b>	<b>-</b>	<b>(11 978 670)</b>

**37.7 Changes to Statement of Financial Performance**

Movement on operating account as a result of GRAP standards not implemented in prior years:

	Note	Balance previously reported	Adjustments	Restated Balance
<b>Revenue</b>				
Property taxes		6 293 251	-	6 293 251
Government Grants and Subsidies		25 380 294	-	25 380 294
Public Contributions and Donations		115 865	-	115 865
Fines		3 498	-	3 498
Actuarial Gains		33 977	-	33 977
Service Charges		9 840 000	-	9 840 000
Rental of Facilities and Equipment		280 624	-	280 624
Interest Earned - external investments		140 637	-	140 637
Interest Earned - outstanding receivables		2 545 667	-	2 545 667
Licences and Permits		122 434	-	122 434
Income for Agency Services		392 899	-	392 899
Other Income		808 289	-	808 289
<b>Total</b>		<b>45 957 434</b>	<b>-</b>	<b>45 957 434</b>
<b>Expenditure</b>				
Employee related costs	37,2	(16 054 978)	11 000	(16 043 977)
Remuneration of Councillors		(2 292 447)	-	(2 292 447)
Debt Impairment		(9 233 822)	-	(9 233 822)
Depreciation and Amortisation		(9 647 947)	-	(9 647 947)
Repairs and Maintenance		(588 860)	-	(588 860)
Actuarial Losses		(13 538)	-	(13 538)
Finance Costs	37,2	(1 752 919)	60 440	(1 692 479)
Bulk Purchases	37,2	(5 088 521)	(5 675 514)	(10 764 035)
Contracted Services		(647 127)	-	(647 127)
Other Operating Grant Expenditure		(1 623 400)	-	(1 623 400)
General Expenses	37,2	(5 158 349)	1 466 032	(3 692 316)
<b>Total</b>		<b>(52 101 906)</b>	<b>(4 138 042)</b>	<b>(56 239 948)</b>
<b>Gains and Losses</b>				
Gains/(Loss) on Sale of Assets		(49 471)	(24 340)	(73 811)
<b>Total</b>		<b>(49 471)</b>	<b>(24 340)</b>	<b>(73 811)</b>
<b>Net Surplus/(Deficit) for the year</b>		<b>(6 193 943)</b>	<b>(4 162 381)</b>	<b>(10 356 325)</b>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>38. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year	(4 675 002)	(10 356 325)
<b>Adjustments for:</b>		
Depreciation and amortisation	8 817 422	9 647 947
Government Grants and Subsidies received	23 017 422	27 092 386
Government Grants and Subsidies recognised as revenue	(28 729 637)	(25 380 294)
Contribution to provisions – Non-Current Provisions	1 004 354	867 631
Contribution from/to provisions - Current Employee Benefits	1 013 124	1 097 177
Contribution from/to provisions - Non-Current Employee Benefits	427 197	346 454
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	64 369	13 538
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	-	(33 977)
Contribution to provisions – Bad debt	4 386 998	9 520 341
Operating lease income accrued	6	1 465
Operating Surplus/(Deficit) before changes in working capital	5 326 252	12 816 342
Changes in working capital	2 886 096	(4 479 006)
Increase/(Decrease) in Trade and Other Payables	10 946 466	7 973 115
Increase/(Decrease) in Employee Benefits	(897 855)	(863 866)
Increase/(Decrease) in Taxes	(1 570 829)	(1 196 387)
(Increase)/Decrease in Inventory	(1 105)	(28 356)
(Increase)/Decrease in Trade Receivables from exchange transactions	(1 861 402)	(6 410 641)
(Increase)/Decrease in Other Receivables from non-exchange transactions	(3 729 179)	(3 952 871)
<b>Cash generated/(absorbed) by operations</b>	<b>8 212 348</b>	<b>8 337 336</b>
<b>39. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 18	276 895	138 202
Call Investments Deposits - Note 18	519 737	728 573
<b>Total cash and cash equivalents</b>	<b>796 632</b>	<b>864 775</b>
<b>40. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>		
Cash and Cash Equivalents - Note 39	796 632	884 775
<b>Less:</b>	<b>(3 975 127)</b>	<b>(9 854 167)</b>
Unspent Committed Conditional Grants - Note 8	(4 141 952)	(9 854 167)
VAT - Note 9	166 825	-
Net cash resources available for Internal distribution	(3 178 495)	(8 989 392)
Allocated to:		
Capital Replacement Reserve	-	-
<b>Resources available for working capital requirements</b>	<b>(3 178 495)</b>	<b>(8 989 392)</b>
<b>41. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term Liabilities - Note 2	748 243	643 913
Used to finance property, plant and equipment - at cost	(748 243)	(643 913)
Cash set aside for the repayment of long-term liabilities	-	-
<b>Cash invested for repayment of long-term liabilities</b>	<b>-</b>	<b>-</b>
Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.		

**42 BUDGET INFORMATION****42,1 Explanation of variances between approved and final budget amounts**

The reasons for the variances between the approved and final budgets are mainly due to virements, and the negative effect of the abnormal high electricity and solid waste tariff increases on consumer debtors, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.

**Explanation of variances greater than 5%: Final Budget and Actual Amounts**

**Statement of Financial Position****42.2.1 Current Assets**

Cash

*Incorrect budgeting.*

Call Investment Deposits

*Cash portion of unspent grants.*

Consumer Debtors

*Incorrect budgeting.*

Other Debtors

*Incorrect budgeting.*

Inventory

*Increase in inventory: consumables.*

**42.2.2 Non-Current Assets**

Investment Property

*Incorrect budgeting.*

Property, Plant and Equipment

*Correction of asset register. Unbundling of meters*

Intangible Assets

*Correction of asset register.*

**42.2.3 Current Liabilities**

Borrowing

*Repayment of finance leases.*

Consumer Deposits

*Correct allocation of consumer deposits*

Trade and Other Payables

*Increase due to cash flow problems.*

Provisions

*Incorrect budgeting.*

**42.2.4 Non-Current Liabilities**

Borrowing

*New finance leases.*

Provisions

*Provision for rehabilitation of landfill-sites and post-retirement benefits not included in budget.*

42.2.5 Net Assets

Accumulated Surplus/(Deficit)

*Net effect of all movements.*

**Statement of Financial Performance**

42.2.6 Revenue

Property Rates

*Increase in property rates due to new valuation roll.*

Service Charges - Electricity Revenue

*Consumption less than budgeted consumption.*

Service Charges - Water Revenue

*Consumption less than budgeted consumption.*

Service Charges - Sanitation Revenue

*Decrease in consumption.*

Service Charges - Refuse Revenue

*Consumption less than budgeted consumption.*

Service Charges - Other Revenue

*Availability charges included under other service charges.*

Rental of Facilities and Equipment

*Incorrect budgeting.*

Interest Earned - External Investments

*Increase in interest on call deposits.*

Interest Earned - Outstanding Debtors

*Increase due to non-payment by consumers.*

Fines

*Additional fines received from Provincial Traffic.*

Licences and Permits

*Incorrect budgeting.*

Agency Services

*Incorrect budgeting.*

Transfers Recognised - Operational

*Decrease due to unspent grants on year-end.*

Other Revenue

*Increase in public contributions.*

Transfers Recognised - Capital

*Decrease due to unspent grants on year-end.*

42.2.7 Expenditure

Employee Related Costs

*Incorrect budgeting.*

Remuneration of Councillors

*Decrease in travelling expenses.*

Debt Impairment

*Increase in provision for debt impairment.*

Depreciation and Asset Impairment

*Increase due to correction of asset register.*

Finance Charges

*Interest cost of provision for rehabilitation of landfill-site and post-retirement benefits not included in budget.*

Bulk Purchases

*Decrease in consumer consumption.*

Contracted Services

*Contracted services budgeted under Other Expenditure.*

Other Expenditure

*Decrease in operating grant expenditure.*

Loss on Disposal of PPE

*Finance leases repaid during the year.*

Cash Flow Statement

**42.2.8 Net Cash from Operating Activities**

Ratepayers and other

*Increase in consumer debt.*

Government - Operating

*Unspent grants on year-end.*

Government - Capital

*Unspent grants on year-end.*

Interest

*Interest on call accounts not included in budget.*

Suppliers and Employees

*Post-retirement benefits not included in budget.*

Finance Charges

*Increase in interest paid.*

**42.2.9 Net Cash from Investing Activities**

Proceeds on disposal of PPE

*Settlement of finance leases.*

Capital Assets

*Underspending of capital budget.*

**42.2.10 Net Cash from Financing Activities**

Repayment of Borrowing

*Settlement of finance leases.*



KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
43 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
43,1 <u>Unauthorised expenditure</u>		
Reconciliation of unauthorised expenditure:		
Opening balance	107 490 957	89 435 055
Unauthorised expenditure current year - operational	9 256 426	18 055 902
Unauthorised expenditure current year - capital	1 013 949	-
Approved by Council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>117 761 332</u>	<u>107 490 957</u>

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Over expenditure of approved budget - 2010	To be condoned by Council	29 684	29 684
Over expenditure of approved budget - 2011	To be condoned by Council	28 371 069	28 371 069
Over expenditure of approved budget - 2012	To be condoned by Council	16 738 583	16 738 583
Over expenditure of approved budget - 2013	To be condoned by Council	25 203 509	25 203 509
Over expenditure of approved budget - 2014	To be condoned by Council	18 978 632	18 978 632
Bank Shortages - 2011	None	28 274	28 274
Fraud Vehicle Registration - 2011	None	78 504	78 504
Withdrawal by former CFO, EB Toontjies - 2011	None	6 800	6 800
Over expenditure of approved budget - 2015	None	18 055 902	18 055 902
Over expenditure of approved budget - 2016	None	10 270 375	-
		<u>117 761 332</u>	<u>107 490 957</u>

	2016 Actual R	2016 Final Budget R	2016 Variance R	2016 Unauthorised R
<u>Unauthorised expenditure current year - operating</u>				
Executive end Council	3 568 957	4 574 083	1 005 126	-
Finance and Administration	21 960 687	19 280 214	(2 680 473)	2 680 473
Community end Social Services	-	25 000	25 000	-
Sport and Recreation	161 307	965 000	803 693	-
Waste Management	5 732 054	1 799 406	(3 932 648)	3 932 648
Water	5 114 543	7 982 110	2 867 567	-
Electricity	10 827 289	12 178 568	1 351 279	-
Economic Development	1 386 453	1 376 450	(10 003)	10 003
Technical and Roads	4 737 257	2 103 955	(2 633 302)	2 633 302
Waste Water Management	-	1 987 517	1 987 517	-
	<u>53 488 547</u>	<u>52 252 303</u>	<u>(1 236 244)</u>	<u>9 256 428</u>

	2016 Actual R	2016 Final Budget R	2016 Variance R	2016 Unauthorised R
<u>Unauthorised expenditure current year - capital</u>				
Executive and Council	901 249	-	(901 249)	901 249
Finance and Administration	-	-	-	-
Community and Social Services	-	-	-	-
Sport and Recreation	-	-	-	-
Waste Management	-	-	-	-
Water	8 628 700	8 516 000	(112 700)	112 700
Electricity	333 234	500 000	166 766	-
Economic Development	-	-	-	-
Technical and Roads	-	-	-	-
Waste Water Management	-	-	-	-
	<u>9 863 184</u>	<u>9 016 000</u>	<u>(847 184)</u>	<u>1 013 949</u>

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
<b>43,2 Fruitless and wasteful expenditure</b>		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	2 148 378	1 257 707
Fruitless and wasteful expenditure current year	2 175 124	890 671
Condoned or written off by Council	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>4 323 502</u>	<u>2 148 378</u>

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Legal Cost (Hondeklipbaai Stands) - 2011	None	199 191	199 191
Interest on late payment - Various Creditors - 2011	None	417 306	417 306
Interest on late payment - Various Creditors - 2012	None	172 301	172 301
Interest on late payment - Various Creditors - 2014	None	255 946	255 946
Interest on late payment - Various Creditors - 2015	None	537 535	537 535
Salary paid to employee J Links after he was dismissed	None	8 417	8 417
Interest and penalties paid to SARS - 2014	None	204 546	204 546
Interest and penalties paid to SARS - 2015	None	353 136	353 136,42
Interest paid to suppliers - 2016	None	2 175 124	-
		<u>4 323 502</u>	<u>2 148 378</u>

**43,3 Irregular expenditure**

Reconciliation of Irregular expenditure:

Opening balance	9 043 815	8 431 124
Irregular expenditure current year	1 017 897	612 492
Expenditure authorised i.t.o. Section 32 of MFMA	-	-
Condonement supported by council	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting further action	<u>10 061 512</u>	<u>9 043 615</u>

Irregular expenditure awaiting condonement from National Treasury

10 061 512	9 043 615
------------	-----------

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Expenditure contrary to SCM Processes - 2010	None	3 715 210	3 715 210
Expenditure contrary to SCM Processes - 2012	None	2 661 945	2 681 945
Preference point system not used for bids between R30 000 and R200 000	None	1 971 257	1 262 323
Tax Reference numbers not obtained for transactions between R10 000 - R30 000	None	1 369 859	1 349 975
No declaration of interest forms (MBD4)	None	110 141	54 162
SCM processes not followed	None	233 100	-
		<u>10 061 512</u>	<u>9 043 615</u>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

## KAMIESBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
44 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
44,1 <u>Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)</u>		
Opening balance	1 950 648	1 428 648
Council subscriptions	505 578	522 000
Amount paid - current year	-	-
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>2 456 226</b>	<b>1 950 648</b>
44,2 <u>Audit fees - [MFMA 125 (1)(c)]</u>		
Opening balance	5 013 124	2 679 125
Current year audit fee	2 826 726	2 333 998
External Audit - Auditor-General	2 270 511	1 980 669
Interest	556 215	353 329
Amount paid - current year	(37 750)	-
Amount paid - previous year	-	-
Credit note	(650 000)	-
<b>Balance unpaid (included in creditors)</b>	<b>7 152 100</b>	<b>5 013 124</b>
44,3 <u>VAT - [MFMA 125 (1)(c)]</u>		
VAT is payable on the payment basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year. The net of VAT Input Payables and VAT Output Receivables are shown in Note 9.		
44,4 <u>PAYE and UIF - [MFMA 125 (1)(c)]</u>		
Opening balance	2 697 098	1 510 441
Current year payroll deductions	2 288 209	1 907 160
Amount paid - current year	-	(720 502)
<b>Balance unpaid (included in creditors)</b>	<b>4 985 306</b>	<b>2 697 098</b>
44,5 <u>Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]</u>		
Opening balance	723 510	1 229 266
Current year payroll deductions and Council Contributions	3 686 458	3 279 938
Amount paid - current year	(1 730 199)	(2 635 091)
Amount paid - previous year	-	(1 150 603)
<b>Balance unpaid (included in creditors)</b>	<b>2 679 770</b>	<b>723 510</b>
44,6 <u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2016:		
	Outstanding more than 90 days	
MJ Cloete	4 502	
S Cardinal	1 168	

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

44,7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

	Amount	Single Supplier	Type of Deviation		
			Impossible	Impractical	Emergency
July	332 362	46 458	285 905	-	-
August	212 489	166 521	45 968	-	-
September	76 562	58 159	18 403	-	-
October	139 116	56 990	33 648	-	48 477
November	139 185	65 930	73 255	-	-
December	251 754	66 462	97 248	-	88 044
January	62 905	61 500	1 405	-	-
February	126 319	59 070	4 057	-	63 192
March	200 973	58 543	64 112	-	78 318
April	74 831	64 924	9 907	-	-
May	114 697	60 000	54 697	-	-
June	69 979	69 980	-	-	-
	<b>1 801 171</b>	<b>834 537</b>	<b>688 604</b>	<b>-</b>	<b>278 031</b>

44,8 The following suppliers did not indicate that a member is in service of the state as required by section 13 (c)(i) of the Supply Chain Management Regulations:

Service provider	Name of member	State Department	Contract Value
Business Connexion	NN Kekana	Gauteng Film Commission	179 663
		2016 R	2015 R

44,9 Awards to close family members of persons in service of the state as required by Section 45 of the Supply Chain Management Regulations:

Service provider	Name of member	State Department	Contract Value
Afren Power Projects (Pty) Ltd	GP Jentjie (spouse of CG Jantjie)	Namaqualand District Municipality	279 346
		2016 R	2015 R

44.10 Material losses

<b>Electricity distribution losses</b>		
Units purchased (Kwh)	5 405 546	5 850 908
Units lost during distribution (Kwh)	938 184	1 594 943
Percentage lost during distribution	17,36%	27,26%
Distribution loss (Rand Value)	912 519	1 455 726

*Electricity losses have decreased due to improved controls to prevent electricity theft on pre-paid meters.*

<b>Water distribution losses</b>		
Units purchased (ml)	282 454	296 931
Units lost during distribution (ml)	43 398	46 660
Percentage lost during distribution	15,36%	15,71%
Distribution loss (Rand Value)	441 729	447 936

*Normal pipe bursts and field leakages are responsible for water losses.*

The municipality provides water services to indigent consumers. Consumptions used by indigent consumers are more than the free 6kl water they received. No action was taken to recover the additional consumptions from indigent consumers and based on history, outstanding amounts are not paid by indigent consumers. The cost to provide these services amounts to:

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

## 45. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

## (a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

## (b) Price Risk

The municipality is not exposed to price risk.

## (c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any Interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

	2016 R	2015 R
1% (2015: 1%) Increase in Interest rates	484	(2 209)
1% (2015: 1%) Decrease in interest rates	(484)	(2 209)

## (d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to note 15 and 16 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 %	2016 R	2015 %	2015 R
<u>Non-exchange Receivables</u>				
Rates	100,00%	15 467 704	100,00%	11 727 860
<u>Exchange Receivables</u>				
Electricity	13,27%	4 707 771	17,02%	5 718 432
Water	30,35%	10 763 150	29,21%	9 817 173
Housing Rentals	0,00%	-	0,00%	-
Refuse	13,62%	4 829 565	12,39%	4 163 955
Sewerage	6,90%	2 446 015	6,61%	2 220 661
Other	35,86%	12 719 910	34,77%	11 684 787
	100,00%	35 466 410	100,00%	33 605 008

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note 15 and 16 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2016 %	2016 R	2015 %	2015 R
<u>Long-term Receivables</u>				
Rates and Services	0,00%	-	0,00%	-
<u>Non-exchange Receivables</u>				
Rates	29,00%	12 476 453	25,63%	9 902 367
<u>Exchange Receivables</u>				
Services	71,00%	30 542 159	74,37%	28 729 248
	100,00%	43 018 613	100,00%	38 631 615

Ageing of amounts past due but not impaired are as follow:

	Exchange Receivables	Non-exchange Receivables
<b>2016</b>		
1 month past due	712 256	231 942
2+ months past due	3 407 173	2 484 094
	4 119 429	2 718 036
<b>2015</b>		
1 month past due	1 148 172	205 053
2+ months past due	1 542 024	1 059 072
	2 690 195	1 264 125

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

# KAMIESBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where

	2016 R	2015 R
Financial assets exposed to credit risk at year end are as follows:		
Receivables from exchange transactions	35 466 410	33 605 008
Receivables from non-exchange transactions	15 578 176	11 848 998
Cash and Cash Equivalents	796 632	864 775
	<u>51 841 218</u>	<u>46 318 781</u>

### (e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2016</b>				
Long-term Liabilities	284 232	720 795	-	-
Trade and Other Payables	43 061 801			
	<u>43 346 033</u>	<u>720 795</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
<b>2015</b>				
Long-term Liabilities	204 360	564 929	-	-
Trade and Other Payables	30 152 610	-	-	-
	<u>30 356 970</u>	<u>564 929</u>	<u>-</u>	<u>-</u>
			2016 R	2015 R

### 46. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

#### Receivables from Exchange Transactions

Electricity	Financial Instruments at amortised cost	4 707 771	5 718 432
Water	Financial Instruments at amortised cost	10 763 150	9 817 173
Refuse	Financial Instruments at amortised cost	4 829 565	4 163 955
Sewerage	Financial Instruments at amortised cost	2 446 015	2 220 661
Other Arrears	Financial Instruments at amortised cost	12 719 910	11 684 787

#### Cash and Cash Equivalents

Call Deposits	Financial Instruments at amortised cost	519 737	728 573
<b>Total Financial Assets</b>		<u>36 263 042</u>	<u>34 469 783</u>

#### SUMMARY OF FINANCIAL ASSETS

## KAMIESBERG MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

		2016 R	2015 R
<b>Financial Instruments at amortised cost:</b>			
Receivables from Exchange Transactions	Electricity	4 707 771	5 718 432
Receivables from Exchange Transactions	Water	10 763 150	9 817 173
Receivables from Exchange Transactions	Refuse	4 829 565	4 163 955
Receivables from Exchange Transactions	Sewerage	2 446 015	2 220 661
Receivables from Exchange Transactions	Other Arrears	12 719 910	11 684 787
Cash and Cash Equivalents	Bank Balances	276 895	136 202
Cash and Cash Equivalents	Call Deposits	519 737	728 573
		<u>36 263 042</u>	<u>34 469 783</u>
<b>Total Financial Assets</b>		<b><u>36 263 042</u></b>	<b><u>34 469 783</u></b>
<b>46.1 Financial Liabilities</b>	<b>Classification</b>		
<b>Long-term Liabilities</b>			
Capitalised Lease Liability	Financial Instruments at amortised cost	748 243	486 978
<b>Trade and Other Payables</b>			
Trade Creditors	Financial Instruments at amortised cost	33 134 838	27 181 107
Payments received in advance	Financial Instruments at amortised cost	909 747	808 003
Retentions	Financial Instruments at amortised cost	-	68 165
Sundry Deposits	Financial Instruments at amortised cost	9 017 216	5 131 615
		<u>43 810 044</u>	<u>33 675 867</u>
<b>SUMMARY OF FINANCIAL LIABILITIES</b>			
<b>Financial instruments at amortised cost:</b>			
Long-term Liabilities	Capitalised Lease Liability	748 243	486 978
Trade and Other Payables	Trade Creditors	33 134 838	27 181 107
Trade and Other Payables	Payments received in advance	909 747	808 003
Trade and Other Payables	Retentions	-	68 165
Trade and Other Payables	Sundry Deposits	9 017 216	5 131 615
		<u>43 810 044</u>	<u>33 875 867</u>
<b>47. STATUTORY RECEIVABLES</b>			
In accordance with the principles of GRAP 108, Statutory Receivables of the municipality are classified as follows:			
<b>Taxes</b>			
Vat Receivable		-	-
<b>Receivable from Non-Exchange Transactions</b>			
Rates		35 466 410	33 805 008
Fines		<u>35 466 410</u>	<u>33 605 008</u>
		<u>35 466 410</u>	<u>33 605 008</u>
<b>48. EVENTS AFTER THE REPORTING DATE</b>			
The Municipality is not aware of any events after the reporting date.			
<b>49. IN-KIND DONATIONS AND ASSISTANCE</b>			
The municipality received the following in-kind donations and assistance:			
(i) Secondment of a Finance Advisor by National Treasury for two years.			
<b>50. PRIVATE PUBLIC PARTNERSHIPS</b>			
Council has not entered into any private public partnerships during the financial year.			



KAMIESBERG MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

	2016 R	2015 R
51. CONTINGENT LIABILITY		
Claims against Council	1 700 000	1 300 000

The municipality is being sued by the widow of Mr L.J Swart for damages and loss of support. The municipality allegedly failed to switch off the electricity supply to the supply system on which Mr Swart was working as an independent contractor on behalf of the municipality, which caused Mr Swart to receive a fatal electrical shock. The municipality is defending the claim based on legal advice. A trial date has not been set to date. The claimed amount does not include legal costs. The outcome of the case is still uncertain.

The municipality does not have a permit or license for landfill-sites currently in use in Garies and Hondeklip Bay, and could be liable for a penalty, to a maximum amount of R10 000 000, in terms of section 68(1) National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).

	2016 R	2015 R
52. RELATED PARTIES		
Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.		

52.1 Related Party Transactions

	Rates	Service Charges	Other	Outstanding Balance
Year ended 30 June 2016				
Councillors				
MR Klaase	1 913	4 355	-	405
EA Stewens	-	1 801	-	139
MJ Cloete	6 909	18 440	-	8 411
MS Cardinal	1 389	1 919	-	1 538
SC Nero		1 544	-	128
	10 211	28 059	-	10 621
Municipal Manager and Section 57 Employees				
JG Cloete	-	10 186	-	996
F Links	1 065	6 193	-	393
	1 065	16 379	-	1 389
Year ended 30 June 2015				
Councillors				
MR Klaase	1 805	8 047	1 557	3 663
EA Stewens		2 044	430	2 479
MJ Cloete	6 561	15 479	430	5 548
MS Cardinal	1 326	1 838	430	840
SC Nero		1 504	430	551
	9 692	28 912	3 277	13 081
Municipal Manager and Section 57 Employees				
JG Cloete	-	9 238	430	803
F Links	1 004	4 405	430	776
	1 004	13 643	860	1 579

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

52.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

52,3 Compensation of key management personnel

The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.

53. FINANCIAL SUSTAINABILITY

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of Kamiesberg communities resulted in a serious risk for Kamiesberg Municipality's going concern.

Unless sustainable job creation is achieved, Kamiesberg Municipality will not be able to function as a going concern without Government Grants and Subsidies.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

**APPENDIX A**  
**KAMIESBERG MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2016**

<b>EXTERNAL LOANS</b>	<b>Rate</b>	<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2015</b>	<b>Correction of Error</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2016</b>
<b>LEASE LIABILITY</b>								
Nashua	14,00%	Various		486 979	156 935	518 908	(425 631)	737 191
Nashua Mobile	10,00%	Various		-	-	22 105	(11 053)	11 053
<b>Total Lease Liabilities</b>				486 979	156 935	541 013	(436 684)	748 243
<b>TOTAL EXTERNAL LOANS</b>				486 979	156 935	541 013	(436 684)	748 243

**APPENDIX B  
KAMIESBERG MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016  
GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
			<b>Governance and Administration</b>			
(1 896 112)	(3 585 467)	(5 481 579)	Executive & Council	(1 754 784)	(3 568 957)	(5 323 741)
32 252 210	(9 818 421)	22 433 789	Budget & Treasury Office	34 816 515	(12 036 675)	22 779 840
793 807	(14 678 009)	(13 884 202)	Corporate Services	991 867	(9 786 127)	(8 794 260)
			<b>Community and Public Safety</b>			
553 769	(186 241)	367 528	Community & Social Services	694 270	(137 884)	556 386
-	-	-	Public Safety	-	-	-
129 068	(79 520)	49 548	Sport and Recreation	116 906	(151 307)	(44 402)
-	-	-	Health	-	-	-
-	-	-	Housing	-	-	-
			<b>Economic and Environmental Services</b>			
272 934	(896 878)	(623 944)	Planning & Development	217 943	(1 386 453)	(1 168 510)
870 310	(2 635 003)	(1 764 693)	Road Transport	219 576	(4 737 257)	(4 517 681)
-	-	-	Environmental Protection	-	-	-
			<b>Trading Services</b>			
5 204 607	(16 372 347)	(11 167 740)	Electricity	5 787 836	(10 827 289)	(5 039 453)
4 342 613	(3 069 344)	1 273 269	Water	3 512 205	(5 114 543)	(1 602 338)
1 943 204	(4 909 082)	(2 965 877)	Waste Management	2 998 346	(5 732 054)	(2 733 708)
1 407 576	-	1 407 576	Waste Water Management	1 212 864	-	1 212 864
45 873 986	(56 230 311)	(10 356 325)	Sub Total	48 813 544	(53 488 547)	(4 675 002)
-	-	-	Less Inter-Departmental Charges	-	-	-
45 873 986	(56 230 311)	(10 356 325)	Total	48 813 544	(53 488 547)	(4 675 002)

**APPENDIX C**  
**KAMIESBERG MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**  
**MUNICIPAL VOTES CLASSIFICATIONS**

2015 Actual Income R	2015 Actual Expenditure R	2015 Surplus/ (Deficit) R		2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R
(1 896 112)	(894 326)	(2 790 438)	<b>EXECUTIVE &amp; COUNCIL</b>	(1 757 411)	(994 481)	(2 751 892)
-	(2 691 141)	(2 691 141)	Municipal Manager	2 627	(2 574 476)	(2 571 849)
			Councillors			
32 252 210	(9 818 621)	22 433 589	<b>FINANCE &amp; ADMINISTRATION</b>	34 816 515	(12 036 675)	22 779 840
1 011 826	(14 678 009)	(13 666 183)	Finance	1 209 811	(9 786 127)	(8 576 317)
542 755	(186 241)	356 514	Administration	687 614	(137 884)	549 730
			Commonage			
10 259	-	10 259	<b>COMMUNITY &amp; SOCIAL SERVICES</b>	5 502	-	5 502
754	-	754	Cemeteries	1 154	-	1 154
			Libraries			
115 865	(79 520)	36 345	<b>SPORT AND RECREATION</b>	94 372	(161 307)	(66 934)
13 203	-	13 203	Sportgrounds and Community Facilities	22 533	(1)	22 533
			Caravan Park			
1 943 204	(4 909 082)	(2 965 877)	<b>WASTE MANAGEMENT</b>	2 998 346	(5 732 054)	(2 733 708)
			Refuse and Sanitation			
4 342 613	(3 069 344)	1 273 269	<b>WATER</b>	3 512 205	(5 114 543)	(1 602 338)
			Water			
5 204 607	(16 372 347)	(11 167 740)	<b>ELECTRICITY</b>	5 787 836	(10 827 289)	(5 039 453)
-	-	-	Electricity			
54 915	(896 878)	(841 963)	<b>ECONOMIC AND SOCIAL DEVELOPMENT</b>	-	(1 388 453)	(1 388 453)
			Local Economic Development			
870 310	(2 635 003)	(1 764 693)	<b>TECHNICAL AND ROADS</b>	219 576	(4 737 257)	(4 517 681)
			Streets			
1 407 576	-	1 407 576	<b>WASTE WATER MANAGEMENT</b>	1 212 864	-	1 212 864
			Sewerage			
45 873 986	(56 230 511)	(10 356 525)	Sub Total	48 813 544	(53 488 547)	(4 675 002)
-	-	-	Less Inter-Departmental Charges	-	-	-
45 873 988	(56 230 511)	(10 356 525)	<b>Total</b>	48 813 544	(53 488 547)	(4 675 002)

**APPENDIX E**  
**KAMIESBERG MUNICIPALITY**  
**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2015	Correction of Error	Restated Balance 30 June 2015	Contributions during the year	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2016	Unspent 30 June 2016 (Creditor)	Unpaid 30 June 2016 (Debtor)
<b>National Government Grants</b>										
Equitable Share	-	-	-	10 127 000	7 436 000	(17 563 000)	-	-	-	-
Finance Management Grant	-	-	-	1 875 000	-	(1 611 681)	-	263 319	263 319	-
Municipal System Improvement Grant	542 555	-	542 555	930 000	(1 212 616)	(96 741)	-	161 198	161 198	-
Municipal Infrastructure Grant	6 223 384	-	6 223 384	7 460 000	(6 223 384)	-	(7 460 000)	-	-	-
Integrated National Electrification Grant	164 805	-	164 805	500 000	-	-	(380 008)	284 796	284 796	-
<b>Total National Government Grants</b>	<b>6 930 744</b>	<b>-</b>	<b>6 930 744</b>	<b>20 892 000</b>	<b>-</b>	<b>(19 273 422)</b>	<b>(7 840 008)</b>	<b>709 314</b>	<b>709 314</b>	<b>-</b>
<b>Provincial Government Grants</b>										
Expanded Public Works Programme	1 052 520	-	1 052 520	-	-	-	(205 761)	846 759	846 759	-
Department Water Affairs and Environment	141 362	-	141 362	-	-	-	-	141 362	141 362	-
Library	822 808	-	622 808	965 000	-	(265 024)	-	1 322 784	1 322 784	-
Project Nala	820 180	-	620 180	-	-	-	-	820 180	820 180	-
Department Finance, Economic Development & Tourism	100 000	-	100 000	-	-	-	-	100 000	100 000	-
Tourism	31 275	-	31 275	-	-	-	-	31 275	31 275	-
Department Social Services	482	-	482	-	-	-	-	482	482	-
Department Sport, Arts and Culture	6 262	-	6 262	-	-	-	-	6 262	6 262	-
Drought Relief	24 409	-	24 409	-	-	-	-	24 409	24 409	-
Accelerated Community Infrastructure Programme	-	-	-	961 654	-	-	(961 654)	-	-	-
<b>Total Provincial Government Grants</b>	<b>2 599 298</b>	<b>-</b>	<b>2 599 298</b>	<b>1 926 654</b>	<b>-</b>	<b>(265 024)</b>	<b>(1 167 415)</b>	<b>3 093 513</b>	<b>3 093 513</b>	<b>-</b>
<b>District Municipality</b>										
Namakwa DM	324 125	-	324 125	198 768	-	(22 568)	(161 200)	339 125	339 125	-
<b>Total District Municipality Grants</b>	<b>324 125</b>	<b>-</b>	<b>324 125</b>	<b>198 768</b>	<b>-</b>	<b>(22 568)</b>	<b>(161 200)</b>	<b>339 125</b>	<b>339 125</b>	<b>-</b>
<b>Total Grants</b>	<b>9 854 167</b>	<b>-</b>	<b>9 854 167</b>	<b>23 017 422</b>	<b>-</b>	<b>(19 561 014)</b>	<b>19 168 623</b>	<b>4 141 952</b>	<b>4 141 952</b>	<b>-</b>

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.